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West Europe Report



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29 January 1986

WEST EUROPE REPORT

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POLITICAL

FEDERAL REPUBLIC OF GERMANY

KOHL, STRAUSS INTENSIFY COOPERATION IN VIEW OF 1987 ELECTION

Frankfurt FRANKFURTER ALLGEMEINE ZEITUNG in German 16 Nov 85 p 4

[Article by Claus Gennrich: "Will the "Small Round of Elephants" in Bonn Result in a Crisis Within the Coalition?"]

[Text] Lately, harmony has prevailed whenever Federal Chancellor Kohl and CSU chairman Strauss met with one another. It was not always like that. Admittedly, in former times also, vociferous complaints had tended to quieten by the time the protagonists came to sit at the same table--even though they sometimes recurred after the meeting. In recent months the CSU noted that cooperation with the Bonn chancellery was improving. The party ascribes this to the efforts of new chancellery head Schaeuble and also to the Federal Chancellor's realization that he is dependent on an understanding with Munich. To the extent that the Chancellor had become estranged from his Minister for Foreign Affairs with respect to some issues--such as SDI--Kohl had shown himself more willing to seek coordination with the CSU leaders at an early stage instead of informing Strauss post facto of policy agreements with the FDP. Bavarian CSU votes in the Bundesrat have been increasingly important since the loss of the Saarland--as demonstrated in the tug of war about the early retirement of Bundeswehr officers. Since then Munich is entitled to expect Bonn to take it far more seriously. That, at least, is the CSU's appraisal of the situation. It assumes that, following last spring's election results in North Rhineland-Westphalia and the Saarland, Kohl has been acknowledging the imperative need for the Union as a whole not to lose its contours. This is specially necessary with respect to Bavaria, in view of next fall's provincial assembly election. However, it holds increasingly true for the CDU also in the run-up to the 1987 Bundestag elections. That is why meetings in the chancellery are to occur more frequently; the next one is already set for the second half of January.

At the latest meeting, agreement was certainly to be expected, because Thursday's discussion concerned SDI. Genscher's pulling on the brake merely served to unite the Union parties. Right from the outset, the advocates of cooperation in SDI--at least those inside the government itself--cited three possibilities for a government agreement between Bonn and Washington: A skeleton agreement, an exchange of letters, or a memorandum of understanding. None of these requires ratification by parliament. At various times in the past, Kohl and leading CDU politicians (such as fraction chairman Dregger) had favored a skeleton agreement, and so did Strauss and his CSU. The FDP, on the

other hand, showed itself doubtful if not opposed. It now appears that the agreement will take the form of an exchange of letters and, since Kohl left Genscher in no doubt about his determination to arrive at a SDI agreement, the FDP has been trying to represent this as a success scored by the Foreign Minister: An exchange of letters is said to mean less than a skeleton agreement. Genscher's attempt at face saving displeased the CSU. It was therefore particularly insistent on equating the quality of an exchange of letters with that of a government accord. This was supposed to demonstrate that basically no significant concessions had been made to the FDP in general and Genscher in particular. Kohl, Strauss and Dregger also need to save face: The present formula therefore runs as follows: Government agreement, in whatever shape. Designations serve both sides as something of a touch-up.

Some FDP politicians (for example Genscher's Minister of State Moellemann) claim success in having prevented government money from being spent on SDI. At one time an annual allocation of DM8-10 had been considered for research at German institutes, and it was not at all clear how much the government would need to contribute. However, such considerations had never been a topic of discussion at any general Cabinet meeting. It had been established long before that budget resources were not to be spent on SDI; the government agreement was merely to serve as a "protective cloak" for FRG companies involved and help to settle the conditions for security clearances, technology transfer, licenses and price fixing. In addition to the formal item in the FDP's claim to have succeeded in its goal--exchange of letters instead of skeleton agreement--the financial consideration therefore also looks like a cosmetic touch-up.

The dispute with the FDP on points of detail has still not been settled. That much is evident by the small coalition partner's definite distancing from the talks between the Union parties. Still, in the final analysis Genscher will hardly be able to resist the CDU and CSU line and will have to be satisfied with the face saving touch-ups. Strauss will probably consider it a plus for himself to have reinforced Kohl and spoiled Genscher's attempt at arriving at a compromise solution. Strauss has other concerns: The Bavarian farmers are abandoning him, and he holds Bonn's farm policy responsible--albeit this is being carried out by a CSU Minister for Agriculture. Consequently, the talk in the chancellery dealt at length with tax relief to ease the hardships on farmers arising from EEC regulations. At the January meeting, it is intended to draft guidelines for the election campaign. It was already agreed now to focus the election campaign on the development of the economic situation and employment creating measures such as the encouragement of part-time work. All eyes are on 1987. It appears that the Union is closing ranks.

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POLITICAL

FEDERAL REPUBLIC OF GERMANY

LAFONTAINE BLASTED FOR DEALING INDEPENDENTLY WITH GDR

Frankfurt FRANKFURTER ALLGEMEINE ZEITUNG in German 16 Nov 85 p 3

[Article by Fy: "Bonn's Anger About Lafontaine's Visit to Honecker"]

[Text] Werner Felte, SED Politburo member and CC secretary for agriculture, will visit the Federal Republic later this month. At the invitation of the DLG [German Agricultural Association], Felte will go to Frankfurt on 26 November to visit an agricultural exhibition and meet with former Agriculture Minister Ertl who is now chairman of the DLG. Following inspection of a canning factory and a cooperative winery, Felte will leave for Bonn on 27 November for talks with von Heereman, chairman of the German Farmers' Association, and members of the Bundestag fractions. On 28 November he will meet with Chancellery Minister Schaeuble and Agriculture Minister Kiechle (the latter at an official dinner). Later that evening, Felte will fly back to Berlin. Bonn affirms that Felte's visit has nothing whatever to do with a possible visit by Honecker, and that Bonn has neither received any signals of such a visit nor begun any preparations for it.

The Federal Government's efforts at countering speculations about Honecker's visit and thereby preventing the "pressure of expectation" correspond to the attitude assumed by the GDR. There, also, it is stressed that a Honecker trip to Bonn, in particular its timing, is still "uncertain." Additional evidence is provided by the interview that Honecker recently granted the SAARBRUECKER ZEITUNG, and which was reprinted in all East Berlin newspapers. Honecker said: "As you were able to note yesterday (Monday) from the DPA report issued by the Federal Chancellery, a visit by the GDR Council of State Chairman is not at all certain." No contacts to that effect have been established between the competent agencies of the two countries. Following the Geneva summit, Bonn's calendar of engagements is crammed, and his engagement calendar is not exactly empty either. "At any rate," Honecker added, "and disregarding the remarks mentioned, you may assume that the visit will take place at a time considered appropriate by both sides." It is something new for the GDR Council of State Chairman to quote the Federal Chancellery to describe his own dispositions and shows that the issue of the visit is being coordinated by the Federal Government and Honecker. The competent agencies of the Federal Government are at a loss to explain the origin of the rumors circulating in the federal capital for the past weeks, claiming to have knowledge of long standing secret preparations for a short visit by Honecker for talks with the Federal Chancellor and the Federal President and a subsequent visit to the

Saarland. Upon consideration of the matter, the possibility cannot be ruled out that these rumors represent an attempt at disinformation with the aim of preventing the visit.

In the meantime, the Federal Government has been worried by the arrival of the Saarland premier in East Berlin, in particular his remark that it was necessary for the Federal Government to recognize GDR nationality in order to normalize tourist traffic. Last Friday, State Secretary Ost expressed the Federal Government's surprise that Lafontaine should have publicly questioned basic attitudes of Germany policy, hitherto upheld by all parties. Anyone coupling the easing of tourist traffic with recognition of GDR nationality was actually damaging the interests of the public and made himself suspect of championing the interests of the GDR. Ost said: "There is only one German nationality, and we will not deprive anyone of it." A day earlier, Chancellery Minister Schaeuble had already criticized Lafontaine's remarks and stated that fundamental concessions such as the retreat from the legal view held by the Federal Republic were likely to threaten the efforts to achieve humane relief while keeping open the German issue. The Federal Government had been successful with this policy and would not let itself be distracted by sniping from the ranks of the Social Democrats. He was asking himself whether Lafontaine was supposed to act as the spearhead of views hitherto not even put forward by Honecker, or whether he, Lafontaine, was simply incompetent. "With regard to the approach Lafontaine has now taken, there is no community of views whatsoever with the Federal Government, because the Constitution provides for only one German nationality," the minister said.

However, the Federal Government experts on German policy are seriously worried about other aspects also. According to them, Lafontaine's behavior and the result of his visit to East Berlin raise the question whether there will in future be one or more "Germany policies" rivaling that of the Federal Government. This would not only run counter to common interests but also to the interests of Berlin. It is reported that the following points had been agreed at Lafontaine's visit to East Berlin: The Saarland Provincial Assembly is to send a delegation to the GDR next year, while a delegation from a GDR district is to be received in the Saarland. The Saarland city of Saarlouis is to be the first FRG city to be twinned with a GDR city. The exchange of young people between the Saarland and the GDR is to be expanded. Also envisioned is the intensification of sporting and cultural contacts. Agreed, for example, were guest appearances by the Saarbruecken Land Theater in the GDR and by the Rostock Popular Theater in Saarbruecken. Saarbruecken and Leipzig Universities are to deepen their contacts. All this is to happen regardless whether a cultural agreement is concluded between the FRG and the GDR. The question therefore arises for West Berlin, whether it should allow the other federal laender to overtake it with regard to the expansion of contacts with the other German state and remain aloof of such efforts, or whether it should

also nurture direct contacts and arrive at arrangements with the GDR-- something that would have represent a very different quality. Indeed, it would respond to the GDR's claim that West Berlin was to be considered a separate political entity and, therefore, not part of the Federal Republic-- not even with respect to representation of West Berlin interests vis-a-vis the GDR.

11698

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POLITICAL

FRANCE

HOSTAGE NEGOTIATIONS WITH IRAN LINKED TO TRADE, REACTORS

Commercial Interests

Paris LE QUOTIDIEN DE PARIS in French 2 Dec 85 p 2

[Article by Dominique Lagarde: "Iran: Bargaining for Four Hostages"]

[Text] Beirut, Tehran, Damascus: French authorities are "pulling out all the stops" to obtain the release of the four French hostages being held in Lebanon. "Some progress has been made," is the official report.

Questioned on Europe 1 on Friday afternoon, Roland Dumas reported that the mission of Dr Razad Raad and Pierre Blouin, the diplomat accompanying him to Lebanon, had led to "some progress." Blouin himself, when asked a little later whether the mission had brought progress in the hostage case, responded in the affirmative and added: "When the light turns green, there won't be one rebel keeping the door closed." It remains to be seen who will give the green light, however. Apparently not knowing the answer, the French Government is "pulling out all the stops."

In Lebanon, Dr Raad met with Hezbollah officials during his "humanitarian" mission. Those officials belong to the same pro-Iranian Shiite movement as the kidnappers of the four French. The kidnappers are demanding the release of the five members of the commando that tried to assassinate former Iranian Prime Minister Chapur Bakhtiar (see LE QUOTIDIEN, 22 November) in France. The French hostages are reportedly being held in two different places: in the southern suburbs of Beirut, in the case of Jean-Paul Kauffmann and Michel Seurat, and in the Baalbeck region, the Hezbollah stronghold, in the case of Marcel Carton and Marcel Fontaine.

Contacts seem to have been made with Iran through various channels. Tehran wants to demonstrate a certain "good will" by sending a mission to Lebanon, but on the condition that France would for its part make a gesture toward Iran, particularly regarding the financial dispute between the two countries. This is what clearly emerges from contacts made by moderate Deputy Jean-Marie Daillet, who hopes to go to Tehran at the end of the week with other deputies and businessmen.

For her part, Mrs Joelle Kauffmann, wife of the journalist being held hostage, wrote to Ayatollah Khomeyni a month ago asking him to use his "great religious

and moral power" to help her obtain the release of her husband. She told France Inter yesterday that she had obtained assurance from Iranian authorities that they would "do everything in their power" to help her. She indicated that her Iranian interlocutors had never told her of any condition whatsoever regarding the French-Iranian dispute.

With Syria, the French authorities remain in close contact on the matter. The kidnappers of the four Frenchmen are "pro-Iranian," but Syrian influence in Lebanon and the fantastic "blocking ability" of Syria are well-known.

The deterioration in Syrian-Iranian relations in Lebanon appeared as one of the brakes explaining the relative ineffectiveness of Syrian efforts. The Tehran visit of a high-ranking Syrian mission that began yesterday -- headed by the prime minister -- will undeniably be followed with great interest in Paris.

French businessmen and members of Parliament are to go to Tehran on Friday. The former are interested in the Iranian market, while the latter, led by Deputy Jean-Marie Daillet from Manche (CSD), will have political talks, mainly concerning the French hostages being held in Lebanon by pro-Iranians.

It all began in May. French businessmen, major exporters in the field of public works and equipment, contacted Jean-Marie Daillet: They found it extremely unfortunate that France should be kept out of the Iranian market "when English, Belgian, German, American or even Israeli products have access to it," and they wanted to set up a private delegation that would go to Iran with an essentially economic objective, but with which a number of members of the French Parliament would be associated so as to have political talks aimed at thawing the atmosphere between the two countries.

Jean-Marie Daillet, who has long been convinced that members of Parliament could play a "complementary role in official diplomacy," said he was interested. The same business circles then put him in contact with a diplomat at the Iranian Embassy in Paris, Gordji. The latter hoped that the French authorities would soon issue a visa to his mother-in-law so that she might be in France when her daughter gave birth to her grandchild. Daillet transmitted his request to Roland Dumas; the young woman could have her mother with her. Gordji then resumed his contacts with Daillet. This time, he was accompanied by an Iranian professor, Tadjvidi, who taught liberal arts and was an expert on Omar Khayyam. About 50 years old, he was in France to write a thesis.

Once the contacts had been made, it was soon a matter of a trip to Tehran, but between Athens and Rome, Shiite extremists took the passengers of a TWA Boeing hostage on 14 June. They would not be released until 2 weeks later. There was every reason to believe that the hijackers belonged to the pro-Iranian movement of Lebanese Shiite terrorists and the French let the Iranians know that the time was perhaps not right for a visit to Tehran.

Unable to carry out their proposed mission in the immediate future, the French and Iranians decided to set up a joint association. The latter, the Latin-Eastern Economic Cooperation Organization (OLORCE), set up a few weeks ago, is

headed, for the French, by Jean-Marie Daillet and, for the Iranians, by Tadjvidi.

When the trip to Tehran once again came into question, Daillet posed the matter of the French hostages in Lebanon to his interlocutors, telling them, in substance, that "if our hostages are being held by people claiming to be with you, can you not do something?" The Iranians then brought up "the Eurodif dossier" by way of an answer. This is a French-Iranian dispute that has to do with France's nonpayment of a loan for \$1 billion granted to the Atomic Energy Commission by the Shah of Iran in 1975, along with Iran's participation in Eurodif, which participation Iran unilaterally gave up after the revolution.

President's Friend

Daillet then had the idea of putting an oral question, without debate, to Pierre Beregovoy, minister of economy and finance, on the Eurodif dispute. The text of the question was transmitted to the Elysee, which replied that Beregovoy's response would be in the direction of an opening to Iranian concerns. An interview took place shortly thereafter between Georges Beauchamp, a "friend" of the president, Jean-Marie Daillet, and the Iranian charge d'affaires in Paris (now appointed to an important post in Tehran). From that meeting, it emerged that if the French authorities made an "open" response to Daillet's question, the Iranian Government would send a mission to Lebanon concerning the problem of the French hostages.

Curiously enough, on 27 November, 48 hours after the question was put before the National Assembly, the deputy received a "very excited" call from the office of Pierre Beregovoy. In substance, he was told that his question was "embarrassing" because negotiations were underway (a delegation of French experts had left for Tehran during the week). Daillet was somewhat astonished by the intervention and, given the green light from the Elysee, decided to pursue the question. On Thursday, 28 November, a member of Dumas' staff contacted him: The minister of foreign relations wanted to see him that very day at 1930 hours. The meeting would be brief because Dumas was to attend a dinner given for King Hassan II, on a state visit to Paris, but it was courteous. The minister was favorable to the Daillet delegation. He expressed the hope that members of Parliament from the majority would be part of it, which the deputy accepted: "We must not carry France's quarrels abroad," he told us. Concerning the oral question put before Beregovoy, the minister promised his guest that he would make sure that the staff of his colleague in economy and finance would draft the response in the right direction.

No Response From Beregovoy

However, between Thursday evening and Friday morning, Dumas was apparently unable to contact Beregovoy. It was Charles Josselin, new secretary of state for transportation, who was present in the National Assembly Friday morning to respond in the place of the minister of economy and finance. The response he read was nothing more than a history of the Eurodif dispute, accompanied by procedural considerations. In other words, it had every chance of being perceived by the Iranians as a refusal! Immediately after the session, a member of Dumas' staff again contacted the deputy to forward the apologies of the

minister -- who was unable to contact Beregovoy -- and propose posing a new question, this time to the minister of foreign relations, whom he would ask to "complete" the response from his colleague in economy and finance with a "presentation of the diplomatic aspects of the affair." In the meantime, they would explain to the Iranians that the first response was purely a matter of form. The procedure used was that of the written question this time, in order to speed things up. Daillet's text was submitted to Dumas' staff in the evening and the deputy hoped to obtain the minister's answer by today.

The French mission to Iran is to leave on Friday, in fact. Officially speaking, it will be a delegation from OLORCE, accompanied by a half dozen deputies. In addition to Daillet, they might include two RPR deputies, Loic Bouvard for the UDF and, for the PS, Yves Tavernier -- who brought Jacques Abouchar back from Afghanistan -- and Gerard Bapt. On the agenda, naturally, improved French-Iranian relations and therefore, the Eurodif dossier and the hostages. From the Iranian standpoint, the two affairs are actually linked, even if, in addition, the kidnappers of the four Frenchmen are demanding of French authorities the release of the commando that tried to assassinate Chapur Bakhtiar in 1980.

Nuclear Energy Loan

Paris LE QUOTIDIEN DE PARIS in French 2 Dec 85 p 3

[Article by H. T.: "Why Tehran Is Demanding \$1.5 Billion From France"]

[Text] France has little luck in its economic relations with Iran, especially since the collapse of the monarchy and the advent of the regime of the ayatollahs. A French delegation recently went to Tehran to try to make progress, among other things, on settling the dispute that has persisted since the conclusion, in 1975, of an Iranian loan to the Atomic Energy Commission.

French nuclear industry officials in 1975 saw the future of French-Iranian cooperation through rose-colored glasses. Had the Iranian Government not granted a large loan to the Atomic Energy Commission on the order of \$1 billion?

Was it not preparing to buy 10 percent of the shares in Eurodif (a civilian uranium enrichment plant), a 51.3-percent subsidiary of COGEMA (General Nuclear Materials Company)? Was a "pool" of French enterprises, led by Framatome, not going to be awarded construction of two 900-megawatt nuclear powerplants, while the official from the Iranian nuclear sector anticipated that "atomic" energy should represent 50 percent of his country's production capacity by 1990?

Unfortunately, the fall of the monarchy made all these fine projects nothing but pipedreams. Using the excuse that funds earmarked for Iranian participation in Eurodif were not paid, the government postponed repayment of the loan to the AEC and for so long that such payment, now demandable, amounts to some \$1.5 billion. In the meantime, the mirage of powerplants built by France has gradually vanished. In 1984, the effects of the nonpayment of the Iranian share in Eurodif resulted in the parent company, COGEMA, having a balance slightly in the red.

13 Billion Francs Lost

Already seriously hurt by the fall of the monarchy, French-Iranian economic relations had nevertheless gotten off to a new start and made substantial progress until the embargo ordered in 1980. In August 1981, French-Iranian trade was again affected by the deportation of the French ambassador by the government in Tehran. At that time, the new leaders' refusal to honor contracts made with the previous regime resulted in outright losses of some 10 billion francs by French manufacturers. For its part, COFACE [French Foreign Trade Insurance Company] paid some 3 billion francs in different types of compensation in 1980 and 1981.

The third shock came in November 1983. As reprisals for France's "loan" of the Super Etendard to Iraq, Iranian authorities decided to launch a campaign to discourage their nationals from "buying French," while French banks still operating in Iran were systematically eliminated from operations financing oil sales.

Since that time, relations have been gradually restored, but France remains far behind the main trading partners of Iran: the FRG and Japan. In 1984, for example, the volume of West German exports to Iran was on the order of 18.3 billion francs, compared with 1.6 billion for French exports.

The only sectors of activity relatively spared by the slump in commercial trade between France and Iran remain the agro-food and pharmaceutical industries.

Encouraging signs have nevertheless appeared on the horizon recently and the resumption in negotiations on the Eurodif case is one of these. But the time of the big contracts is definitely long gone.

11,464
CSO: 3519/66

POLITICAL

FRANCE

DISSENSION SEEN INCREASING IN PCF

Paris LE MONDE in French 3 Dec 85 pp 1, 8

[Article by Patrick Jarreau: "Reading Between the Communist Party Lines"]

[Text] One has to read between the Communist party lines. The official text is that of Georges Marchais, who stated Sunday, 1 December in Toulon: "Each member, and I mean each one," in the PCF must consider that "henceforth his task, his responsibility is as follows: to rally to the Communist vote." The hidden text responds: "I agree completely," for now, but it adds that in the future, meaning after the elections next March, "debate will be inevitable." Those are the words of Pierre Juquin speaking Monday morning on Europe 1 [radio station].

The problem for the PCF leadership is that the "other" party is increasingly evident and that the debate announced by Juquin is becoming increasingly inevitable, as he proved amply during a visit to the Herault [department] late last week. If the March results follow the current predictions of the pollsters, if the Communist party loses still more votes after having dropped to 11.28 percent of the vote during the European elections in June 1984, the leaders will have to face the rank and file members who have not waited for the election to show their disagreement with the line of action being followed and the concern it inspires as to the future of their party. More than tomorrow's debate, it is today's struggle that worries the PCF leaders.

In fact, we are seeing the confrontation of two tendencies within the Communist party. These two currents did not arise from the problems of the past year, nor from the dilemmas encountered during party participation in the administration from 1981 to 1984. But it has been a long time since they have been in such open conflict. That is the novelty of the present situation. The leadership has not succeeded in imposing a consensus that is satisfactory to the majority of the party. Which leaves them only the choice between silence or becoming marginal.

One of the battlefields of this confrontation was the CGT [General Labor Confederation] convention where Henri Krasucki did not miss the opportunity to act in such a way that the existence of two orientations of the Communist leadership in his union were obvious. In his own way, the general secretary of the CGT, circumvented by Louis Viannet, "the number two man," a member, as is Krasucki, of the PCF political committee, and by his friends, set a date with destiny.

"Each of us must assume his own contradictions, Krasucki said (LE MONDE, 30 November), a statement with several meanings that was addressed to both the Socialist union activists, to the Communists and...to himself.

A more spectacular event also took place last week. It was the denunciation by Marcelin Berthelot, the mayor of Saint-Denis, of the activities of two Communist leaders, Pierre Zarka, a deputy, and Jean-Louis Mons, first secretary of the Seine-Saint-Denis [department] federation, both members of the central committee of the PCF, during a visit to the city by Francois Mitterand for the dedication of the new buildings of the Legion of Honor School, on 22 November. Berthelot, who abstained from his party convention last February, was not happy with the fact that he was required by federation leaders to be excluded from a ceremony with which his community was supposed to be associated, since it had participated in the modernization of the school in question.

The Seine-Saint-Denis federation, the largest in the PCF, had experienced a particularly lively debate during the period that followed the European elections. The first secretary at that time, Francois Asensi, deputy, had been accused of expressing criticism of the party leadership to the central committee.

Zarka had been the point man in the offensive that resulted in the eviction of Asensi from the central committee, then his replacement at the head of the federation by Mons, former president of the general council. Jack Ralite, former minister, mayor of Aubervilliers, has paid for his refusal to participate in this offensive by losing his place on the candidate list for the legislative elections, (Ralite heads the PCF list for the regional elections) whereas party leadership had to concede eligibility for the National Assembly to Asensi. By implicating Zarka and Mons, without mentioning their names but very transparently, the Saint-Denis mayor is showing that the wounds from the early part of the year are not without consequences.

Beyond the situation specific to Seine-Saint-Denis, Berthelot's anger reflects the feelings of many PCF elected officials about the activism of certain federation and union leaders supported by top leadership. Roland Leroy, faithful to his line of action, immediately took the side of Zarka and Mons on 27 November making a declaration of CGT department level unity against the mayor of Saint-Denis to the press. In sum, for Leroy, on the one hand there are the authentic representatives of the workers struggling against administration policies and, on the other hand, an elected official who does not have as clear an idea as he should have of what is currently at stake.

"Black List"

If he hasn't already done so a long time ago, Leroy will be able to add to his "black list" elected officials and federation leaders from the Herault who, late last week, on the occasion of a series of initiatives on the theme of peace and disarmament, invited Juquin who is officially in charge of these questions in the central committee. Bedarieux, Pezenas and Montagnac, the last relatively large PCF municipalities in the department (after the loss of Beziers and Sete in 1983), had organized a "peace week" designed in a spirit of openness. Socialists had been invited, which, given the theme of the event,

the PCF leadership cannot criticize. Church representatives were also present. The Bedarieux meeting Saturday had brought together a thousand people, a considerable number for that community and on that subject.

For Zarka, this visit had been an opportunity to dialog with the PCF sections and cells, as is usually done when a national leader "descends" to a department level. Certain sections had not experienced such a parade of activists or former activists for a long time. A member of the federation cabinet, who had come from one of the cells to incite it to refuse to meet Juquin under the pretext that such a meeting wouldn't have conformed to the bylaws, was placed in a minority and contradicted, including by activists who, subsequently, were to express their disagreement with the former party spokesman.

The Herault federation secretariat, purged of its minority members during last February's convention, stayed out of the demonstration. It even intimated that to the party bookstore manager at Montpellier a prohibition to sell Juquin's book ("Autocritiques" [Self Criticism]). Members of the federation cabinet, lower leadership level were, on the other hand, present. The visit of the person who today appears to be the spokesman for those who are partially or totally critical of the leadership line, had echos beyond the boundaries of the Herault, with the leadership of the neighboring federations. Juquin's line of conduct is as severe for the PS as intransigent on the subject of his party leadership. He said Monday on Europe 1, "The right would not return if the left had had better policies." He proposed that the PCF set as a future objective doubling its vote in the 1984 European elections. He believes that should allow him to avoid what he maliciously calls the "being treated like a frisbee," or marginalization followed by exclusion and rallying to the Socialist party. The status quo that the PCF is clinging to in the face of its former spokesman appears to be an arm wrestling game. Who will best use the other, the leadership in order to give itself the image of tolerance and keep those it has displeased at its sides, or Juquin to give weight to the Eurocommunist tendency he represents?

The entrance of the elected officials into the field, against which Marchais had warned the [party] apparatus during last June's meeting of the central committee, gives a new dimension to the internal confrontation of the PCF. Until now, elected officials, who do not have a primary role in the "professional revolutionary" party that the PCF continues to be from the organizational standpoint, only expressed this disagreement in private and officially acquiesced. Berthelot's initiative and that of the Herault mayors could create a movement that the party leadership would have a great deal of difficulty mastering without damaging themselves in public opinion.

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POLITICAL

GREECE

POLITICAL IMPASSE SEEN LEADING PAPANDREOU TO PRESIDENCY

Athens I KATHIMERINI in Greek 15-16 Dec 85 p 1

[Article by Nikos Nikolaou]

[Excerpt] The perplexity and lifelessness with which the government has reacted to the strong shocks the economy has suffered in recent weeks has convinced independent observers that fermentations in Kastri are at an advanced level. The inactivity of these days--with only some new cogitations by Andreas G. Papandreou--can be interpreted to mean, and everyone expects, that soon initiatives will be undertaken from this side which will intensely mobilize the political life. Really, there is no longer anyone in the prime minister's immediate entourage who does not acknowledge that the present government body, on the one hand, is not efficient and cannot effectively handle the economic crisis and, on the other, with its dictatorial spearheads (Koutsogiogas, etc.) prevents any dialogue on affairs with other political forces in the Chamber and, at the same time, does not allow utilization in certain key positions of the economy (banks, organizations, etc.) of independent technocrats with a wider exposure who, without party blinders or dependencies, could help in cleaning up conditions and correcting mistakes.

The same coworkers of the prime minister ascribe to the present government body an inability to exploit the overall acquiescent climate created by the ND president with his statement in the Chamber. "When," they stress, "Mitsotakis himself does not hesitate, after four years of PASOK, to say he is ready to go along with the government, it is unacceptable for the latter to be isolated on nearly all fronts and for PASOK to face, in all areas, from the universities to the trade unions, the enmity of all the country's political forces.

More specifically, on economic issues, in the opinion of the prime minister's coworkers, the abatement observed recently in the labor area provides the government with the opportunity to achieve, if not an acquiescence, at least a forbearance and truce from ND and DIANA [Democratic Renewal] so the tough winter for wage-earners will not be ignited by mass strikes and social agitation.

It is unknown at this moment where Papandreou's agonizing cogitations will end up and what initiatives he will take to disengage himself from the impasses, most of which he has gotten himself into with unlucky actions and a lot of mistakes. One thing that is certain, at any rate, is that the present government body, just four months after its formation, is unable to exercise power and, particularly as concerns economic developments, it clearly no longer controls them.

From another standpoint, however, it is also a fact that Papandreou's margin for maneuvering is probably much more restricted, if not nonexistent. Despite the fact that he maintains his influence and, as recent polls have shown, his effect on the people is still great, PASOK, as a party organization and a vehicle of power, has been slandered so much that political collaborations with it are considered reprehensible and risky. Certain approaches end in candidates for cooperation putting forward conditions which are disappointing for Papandreou, since he is being asked essentially to break up the entire party para-state and remove from the government officials such as Koutsogiorgas.

A Minister's Admission

These impasses reinforce the diffuse impression that, for Papandreou, no other road is left except...fleeing to the presidency! In fact, a minister in the economic sector said a few days ago that, in the spring of 1986, when the economic crisis is at its highest point, the most fascinating film ever shot about the country's political life will begin to roll before astounded Greek observers. It literally will be a thriller, as Papandreou's heavy steps to Irodou Attikou street will be accompanied by scenes of mystery and agony which will leave speechless many of those who believed in the nonsense they heard in the Chamber on the day the present president of the republic was elected.

At any rate, regardless of Papandreou's more distant plans for either expanding the government or becoming president (which need some time to ripen, however), the sure thing is that he must take some measures very soon to deal with certain urgent problems. Among these, independent observers note the following as more significant:

First, the credibility of his government which has been irreparably harmed. It is perhaps tragic, and may cost the country, that now, when Papandreou himself has become aware of many truths about the economy and the foreign policy, now that he really has made a turn and is trying to correct mistakes of the past, and find ground for co-existence with private initiative, at precisely this moment of truth, his past betrays him, his party undermines him and yesterday's coworkers and friends sabotage him.

Like the boy who cried wolf and did not see anyone running to help him when the wolf really did invade the sheep-fold, now the prime minister, despite the important steps he has taken in the right direction, is finding no response because the confidence of adherents and adversaries has been shaken. According to an "Evrodin" poll published in TO PONDIKI, 69 percent of those questioned believe the government does not keep its promises.

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POLITICAL

GREECE

PAPANDREOU'S MARGIN FOR MANEUVERING SEEN SHRINKING

Athens I KATHIMERINI in Greek 17 Dec 85 pp 1,3

[Article by Nikos Simou]

[Text] The government, seeking prolongation of the public's forbearance, facing the measures it has already taken on increased rates for the public utility organizations, is now counting on the Christmas "moratorium" with the people and the deceptive picture of the thirteenth paycheck. Moreover, it is counting on some small resources of the people, a little toughness anyway, in such a way that it will be able, in a first phase, to get through the critical three months until summer. In this period, the burdens on the people will be particularly oppressive since the "gift" will have been reduced to nothing before it is even collected and immobile salaries, combined with increases in goods and services, will have made the Greeks incredibly poorer. The next period of relative "relief" for the government is that of summer vacations, when the lower cost of living and the escape from urban centers are factors on which the government is pinning its hopes for a new prolongation of forbearance, before the start of: first, a new round of clashes with the unions and workers who will become aware that for another year they will have to suffer the same conditions of poverty, with, in fact, their minimum savings growing thinner; and, second, a new round of political clashes with the opposition parties which will demand elections since the constitution's required time-limit of twelve months since the last elections will have been completed.

These conditions--supplemented by the opposition's recovering of popular credibility at a slower rate than that of the government's deterioration--will, in the next few months, in the view of political observers, direct the tactics of the prime minister, whose position is daily becoming more difficult.

Staying in Power

Papandreou's foremost concern, according to the same political indications, is to stay in power as long as possible. If the time at which he loses it were accelerated, it would mean for him a disorderly departure "amidst popular insults."

This goal is revealed by the measures he has taken, but also by the anticipated toughness of those which will follow, since the government and the prime minister personally, within a short period of time, will have to administer government with the "hindsight" they have not had for so many years.

However, this delay in exercising a realistic policy--which is now imposed not only from without but also because of specific conditions created by the government--prescribes inauspicious prospects for democratic normalcy. This is because a normal imposition and implementation of measures presupposes government credibility. Otherwise, their imposition and implementation push onward to government dictatorialness which, to the degree it aims at popular coercion and preventing or suppressing popular reactions, most clearly conspires against the normal functioning of democratic institutions.

In the same space of time--and always with the prospect of desperately maintaining PASOK's impression on the people, particularly in the leftist area--Papandreou will have to "wed" contradictory goals. His beloved tactic of political bilingualism--a leftist language domestically and a pro-western one to the outside world--cannot be kept credible. No longer can the prime minister confine himself to theories; he is called to take tough measures domestically which will disagree with the leftist language with which he would like to disorient--and appease--the masses beyond the centrist area.

From another standpoint, the prime minister no longer has margins for a display of anti-western bravado to the outside world, for reasons everyone understands. As a result, Papandreou is imprisoned within the limits of a specific policy which he is unable to escape with demagogic maneuvers. Thus, the only way out for Papandreou is the...official opposition, whose mistakes he not only wishes for but he even tries to provoke.

Based on these orientations of the prime minister in the coming months, New Democracy's course should appear easy. Despite all this, its cadres who tour Greece and avoid having their conclusions bind them--for reasons of personal objectivity--to troubles at the top have certain realizations leading to thought, with not particularly optimistic elements, relating to the government's decline.

The New Democracy

These realizations--which maybe should be the compass for party tactics, are the following:

1. An "anti-deputy feeling" among cadres in the party's organized base in fairly many areas of the country is considered a result of the inadequate contact of the deputies from these areas with the faction's supporters there, while the activity of other members of the parliamentary group is not enough to alter the general picture.

Another interpretation of this perception of party cadres is that the "anti-deputy feeling" arises from their effort to upgrade themselves within the party machine, while at the same time contending for more decisive roles in the party's operation.

2. A related desire for broader activation of the base. This phenomenon is attributed to the disappointment resulting from the electoral defeat and to the faulty party effort thus far to re-establish the faction's psychology. Moreover, "mobilization" through party congresses has been an object of intense party conflict.

Karamanlis

3. Finally, the rekindling of "Karamanlism" as a unifying point of reference for ND's cadres and supporters is being realized. This is because, after the faction's repeated intraparty vicissitudes, the party's founder is--given the non-existence of the faction's cohesive elements which existed before 1974--the expresser of the political principles of Khalkidiki, in which ND adherents are seeking the elements to unify them ideologically.

In this sense, the rekindling of "Karamanlism" must be interpreted more as a "return to the roots" and less as a demand for the former president's return to active politics, particularly when such an event would entail catastrophic prospects for the country, which no one wishes for.

From another standpoint, the "hearths" of anti-Karamanlism, in isolated areas mainly to the south, are nothing more than the now-diminishing result of an intentional propaganda by cadres who, in the "Karamanlis alibi" (he abandoned the faction, he left no descendants, etc.) find the only way out to justify their inability to either return the party to power or exercise an effective opposition.

9247

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POLITICAL

GREECE

PASOK'S 'CENTRIST' ATTEMPTS

Athens POLITIKA THEMATA in Greek 12 Dec 85 p 10

[Text] Despite all the "denials," it is certain that Mr. A. Papandreou as well as his confidential advisers are continually discussing the possibility of some "opening up" of the government by the participation of personalities who had political connections to the ND. And this so as to give the world at large, that is, the people, the impression that the government's policy has a broad basis of acceptance. Besides, the proposal Sot. Kostopoulos, the former press secretary general who is also very close to Kastrì, made to the Central Committee of the PASOK was not as spontaneous as all that, as it specified, in fact, that the opening would require the participation of Messrs. D. Livanos, K. Stefanopoulos and I. Boutos. What was not disclosed at that stage, independently of what lies in store for those [who engineer] the opening, is that Kastrì will not accept group cooperation, but personal or rather individual adhesions, to avoid notable changes in the party but also in order to avoid upheavals within the party which the PASOK today is no longer able to face.

Since we are talking about the government and its inner workings, we should say that Mr. Andr. Papandreou, with the dismissal of Mr. K. Laliotis, decided to proceed to give his government a new political coloration through a reshuffling. And to "color" the government centrist by using many well known deputies of centrist origin, while simultaneously removing all or almost all leftist ministers and deputy ministers. This new "image" is viewed by Mr. A. Papandreou as being absolutely necessary to help him with his preparations to "stroke" the private sector of our economy, particularly businessmen and industrialists. By going even as far as to dismiss Mrs. Vasso Papandreou as the alternate minister of industry, the premier is determined to sacrifice her to his great maneuver--which, the way things are going, will also be the last one.

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POLITICAL

GREECE

GENNIMATAS' CONTINUED PRESENCE IN GOVERNMENT DOUBTED

Future in Doubt

Athens RIZOSPASTIS in Greek 27 Nov 85 p 2

[Text] Speculations, agitations and controversy throughout the PASOK party machine are intensifying following the recent Central Committee meeting which confirmed that impasses exist in the government's conservative and dictatorial policy. At the same time, following the resignation-removal of K. Laliotis, the war between various centers of influence is continuing, as it appears the next in line is Minister of Health and Welfare G. Gennimatas. The entourage and mechanisms controlled by Koutsogiorgas are already firing in every way at Gennimatas. The latter is also a deputy, however, which is taken into consideration and carries weight as concerns the way to be chosen for his possible removal. Already, according to information, it has been suggested to Gennimatas that he be a candidate in the municipal elections. According to the same information, in reaction, Gennimatas reportedly suggested that the incompatibility of the capacities of deputy and mayor be legally removed so he could accept such a proposal. The issue of Gennimatas, however, as well as of several other of the "problematically" strong people in the party hierarchy, is tied also to a possible reshuffling which information is trying to accelerate.

This is because, after Laliotis' removal, but also for other reasons, there is a problem of changing and filling the government. Mainly, however, leading government circles reckon that, with a reshuffling, interest will be drawn from other burning issues and, above all, from popular reactions to the economic measures. At the same time, however, new problems are being created in certain fragile or already shaken equilibriums in the frameworks of the government party.

ESY Failure Invoked

Athens POLITIKA THEMATA in Greek 29 Nov-5 Dec 85 p 10

[Text] Minister of Health and Welfare Giorgos Gennimatas has seemed everything from disappointed to disgusted recently and is probably aware of his approaching end as a minister. It is considered certain that Kastri will throw the ESY [National Health Council] venture on his back, as PASOK has done in the past, where all the so-called successes belong exclusively to Andreas Papandreu but the failures--and, of course, there are overwhelmingly more of these--belong to the appropriate ministers. Remember the famous FAP [Real Estate Tax] which

Papandreou recommended and decided to implement and in the end Drettakis got the blame? Gennimatas' friends say that he is not about to be driven out, but will think of leaving himself. It is already suspected that the lack of funds will supply the excuse for the ESY's failure and he is preparing his suitcases....

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POLITICAL

GREECE

ATTEMPT TO RETURN KARAMANLIS SEEN SOLUTION TO ND TROUBLES

Athens TA NEA in Greek 2 Dec 85 pp 1,15

[Article by G. Fatsis]

[Excerpts] An effort is being made to solve the impasse in the Right's faction by returning Karamanlis to the political limelight.

One of the "tests" in this direction occurred on 30 November when the former president's name again became timely, the reason being the car he took with him when he left the Presidential Mansion.

The purpose of maintaining Karamanlis' name (projecting it from time to time) is to remind (mainly the Right) that the former "mighty leader of the faction" has not been put out of commission and does not appear willing to be forgotten completely.

Note is also made of the fact that the rightist press has shown a particular sensitivity for protecting "Karamanlis' prestige"--as it did in the case of the conflict over his car. The "Karamanlis wedge" aims at, and contributes to, cultivating a climate within ND which will facilitate its founder in intervening to solve the problem of its leadership.

Factors from the Right (the dauphins among them) perceive that, with the procedures provided by the written rules for the operation of parties (and of ND), it is impossible to dismiss Mitsotakis from the party leadership.

The issue is made much more difficult by the fact that Mitsotakis, with his devices, is hampering the coordination and effectiveness of the efforts aimed at replacing him.

In order to neutralize these efforts, Mitsotakis is setting up "pre-congress conferences." These have a double goal:

One goal is preparing the party congress (planned for February) in a way which will make it "cut and sewn" to his measurements.

The other is keeping his name alive in the party organs and cultivating the myth of the "irreplaceable leader."

But it is precisely this "commotion" Mitsotakis is causing around his name which concerns the Right's traditional factors, who are skillfully throwing Karamanlis' name "on the market."

Counting the "votes," the "factors" behind Karamanlis calculate that Mitsotakis has only his own 22 deputies, who would follow him after an eventual split.

Those pulling strings in the area of the Right estimate that, if Karamanlis throws his weight into the open battle (the phase of guerilla warfare has passed now) for the ND leadership, then Mitsotakis will lose the game.

In contrast, Mitsotakis himself and those with him testify that "Karamanlis remains out of the game."

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POLITICAL

GREECE

KKE'S FLORAKIS SPEECH ATTACKS PASOK

Athens ETHNOS in Greek 3 Dec 85 p 7

[Article by Khristos Mourtzis]

[Excerpt] The secretary general of the KKE Central Committee, Kharilaos Florakis, speaking on 2 December at the gathering of party cadres at the "Palais de Sport" in Salonica, imputed to the PASOK government "conservatism," anti-leftism" and "alliance with the very broad bourgeois establishment."

Florakis, never before as critical, said "PASOK has decisively divorced itself from Allagi, choosing allies on the opposite bank and banishing its radical tendencies."

The government has made no comment on Florakis' speech. Nevertheless, government circles reported that, in the discussion in the Chamber on Friday, Prime Minister Papandreou will give a "comprehensive" briefing on domestic and foreign issues.

Florakis made the following points in his speech: "The PASOK leadership's disconnection from its oldest declarations is all-embracing, meaning the government's incorporation in the political system.

"PASOK has now been molded as a force of alterability in power.

Changes in Direction

"Serious changes in direction are being effected inside the party, on a leadership level. The most conservative, anti-leftist and anti-communist tendencies are being strengthened; those having the most dictatorial and populist mentality, which do not hesitate to adopt the most unacceptable methods of political application and confrontation.

"On the fringes of the PASOK machine, a new establishment is being formed, tied more to the interests and privileges connected with managing the capitalist system. "

Florakis, commenting on the rightist-anti-rightist syndrome, observed: "Today, no schematic separation between rightist and democratic parties can exist," and he continued:

"Our life has shown that anti-rightist forces are best able to handle the present crisis at the workers' expense in another form; namely, by exploiting their anti-rightist sloganizing for anti-leftist targets and at the expense of Allagi."

Florakis referred to three---as he said---new elements which are literally creating a new situation in our country.

First: The workers' great, unified class front, going beyond ideologic differences, with the spearhead being confronting the government's economic measures.

Second: PASOK's political choice of playing the role of a force of alterability in power, in the frameworks of dependent capitalism; the deep crisis in the conservative faction which has led to its disintegration; and the bipartisan scenario of the two "duelists" which has entered a crisis.

Third: Distractions and dangermongering as a political means of disorienting the people.

The artificial scenarios of turmoils and terror are benefitting those who want to frighten the people and are trying to hinder development of the popular mass struggles and disorient political opposition.

The perpetrators of these turmoils should be looked for in the secret services and well-guarded Security Corps shelters.

Florakis then noted: The most serious, the most dangerous thing, as he characterized it, is that "the government presents the struggle against its anti-popular policy as destabilization. The struggle being waged by the communist, leftist, radical forces for a real change in our country it reveals as an undermining of normalcy. Its own deterioration resulting from its anti-popular policy is shown as a deterioration of democracy. The government, identifying itself with democracy and normalcy, accuses from on high that, with our opposition to its policy, we are presumably sawing off the branch on which we are sitting.

"This is open dangermongering and, above all, an undisguised dictatorial, one-party mentality.

"Who is sawing what must be considered by the PASOK leadership itself which, with its policy, is cutting ties with the popular forces of change which have supported it and promoted it to the government of Greece. Just as the PASOK leadership also ought to know that our people have no need of saviors, nor do they recognize owners and monopolizers of democracy and normalcy.

They Deceive

"The demagogic opposition and the provocative tactics of New Democracy and its press have decisively contributed to this whole campaign to deceive the people. While in reality ND agrees with the measures, it harangues and provokes the struggle, imposing the government's overthrow.

"The government and official opposition are doing whatever they can to disorient the people, to distract their attention from the problems and their struggles, with demagogic clashes at the top. For this reason, they are heating up again the rumors about elections, the president, and other such things.

"The government and official opposition, facing the impasses to which they are leading this country, are capable of any kind of distraction and deceitful action to control political developments."

The Turn

Commenting on the government's foreign policy, Florakis observed:

"The government's turn to the right and conservatism also relates to foreign policy. The "calm pre-electoral waters" with the United States and NATO are constantly becoming calmer, to such a point, in fact, that the well-known Iakovos is now proclaimed national missionary.

"Now the government is not only staying in NATO and not denouncing the Rogers agreement, not only is it not promoting the unilateral removal of nuclear weapons, but it is insisting upon Limnos being ceded to NATO."

Referring to the alliance of the social and political forces of Allagi, Florakis stressed:

"Not only has the need for a new government power supported on the social and political forces of Allagi not ended, it has become more urgent.

"Something new is beginning to appear in the political area of the broadest radical forces. We stress to the people that any positive role whatsoever of forces and people in the direction of Allagi cannot coexist with psychoses against the KKE.

"Every personality, every formation of the Left, is called on to assume its responsibilities.

"Today we are all judged. No one is entitled to remain nailed to conditions and mentalities which impede coalition of forces of the Left, which keep the Left from responding to the commands of the modern era.

"Establishment of the simple proportional system is becoming more timely and more necessary than ever before. Without its establishment, the revision of the constitution will lead not to a strengthening of the Chamber, but to a government monocracy, to an overconcentration of power in the government.

"At present, the PASOK leadership is not disturbed only by the proceedings, the differentiations and the retreats from its lines. What mainly worries it is, perhaps these forces which are differentiating themselves are mingling with the popular movement and going along with the Left and the KKE.

"Within these conditions, it is clear that the responsibilities of our party, which is distinguished objectively as a decisive agent for change, are increasing.

The Key

"The decisive strengthening of our party will be the key for political developments on the road of change, and the catalyst for assembling the social and political coalition of forces for change, for the good of economic and national independence."

POLITICAL

GREFCE

BRIEFS

KKE NEWSPAPER'S INCREASED CIRCULATION--The rise in RIZOSPASTIS' circulation, in the frameworks of the two-month drive, is steady. It held first place among all the Athenian newspapers on Sunday in Athens and Piraeus, with 66,060 issues. Circulation in the rest of Greece on Sunday was 78,000 papers. Totally, on a countrywide scale, 144,000 papers were distributed on Sunday. For the past week (Tuesday to Saturday) in Athens and Piraeus, the average circulation was 36,017 papers. In the rest of Greece only, circulation of the daily RIZOSPASTIS increased in November approximately 10 percent compared to October. [Text] [Athens RIZOSPASTIS in Greek 27 Nov 85 p 1] 9247

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POLITICAL

NORWAY

PROGRESSIVE PARTY SEEN STRENGTHENED FOLLOWING BUDGET PACT

Issue-to-Issue Majority Predicted

Oslo AFTENPOSTEN in Norwegian 20 Dec 85 p 3

[Article by Morten Malmo and Einar Solvoll: "Willoch Safe, No One Anxious for New Government Now"]

[Text] "No desire has been expressed for a change in government. The fact is that never before have so many Storting representatives wanted an incumbent government to continue as now, under the present circumstances," Prime Minister Kare Willoch noted in Storting yesterday. But the prime minister added that the government will resign the minute Storting asks it to. After a lot of drama in recent weeks Storting ended its fall session yesterday by passing the budget plan for the coming year.

The debate and the many revisions clearly demonstrated that the Progressive Party is part of the government's parliamentary base. The Center Party's main spokesman on fiscal policy, Ole Gabriel Ueland, summed up the reality of the situation like this: "Less than half the members of Storting want a socialist government."

The parliamentary leader of the Christian People's Party, Harald Synnes, pointed out that the Progressives have said they want a continued nonsocialist government. "That is why the government is in power. If that is what is meant by a parliamentary base--then so be it," Synnes said.

This summation caused quite a stir in Storting. There were others besides Carl I. Hagen who regarded the speech as an open admission of the reality that the middle parties have consistently refused to put on paper in the budget balancing report.

Anticlimax

The budget compromise with additional spending limits of 201 million kroner was passed with the support of the Progressive Party, after large amounts had already been added to the government's budget proposal earlier. This included an additional 750 million kroner for increased social security payments. The debate in Storting yesterday was a kind of anticlimax that

included such things as a discussion of the political situation and having Progressive leader Carl I. Hagen photographed in front of the Storting Christmas tree along with the other nonsocialist parliamentary leaders-- something Hagen himself took pains to mention to the assembly in several of his speeches in Storting yesterday.

In the debate Prime Minister Kare Willoch said that the fall budget debate had been somewhat complex and he did not think it would have been possible to arrange a compromise with the Progressive Party at an earlier date. But the prime minister said with reference to future budget discussions that everyone would probably be interested in taking a closer look at the experiences from this year with the idea of improving cooperation next time.

Supported the Government

Carl I. Hagen pointed out that in the roughly 500 votes taken on the budget issue this fall, the Progressive Party backed the government on 470 points-- and voted only 30 times on the same side as the Labor Party and the Socialist-Left Party [SV]. Agreements have now been reached on 25 of these 30 points and Hagen said his party had accepted the idea that the country must continue to have a decent regime. Hagen noted that now his picture had been taken along with the other parliamentary leaders, who have refused to talk to him on several occasions, and said that the more annoyed others were about that picture the more pleased he became.

Chills

Center Party leader Johan Buttedahl gave assurances that his party would continue to take part in the present government coalition in order to have the best possible chance to promote the party's special issues. In an exchange of remarks he said that it sends chills up and down his spine when the Labor Party makes overtures to the Center Party from time to time when he thinks of the negative attitude the opposition party usually displays toward the government coalition parties. Buttedahl also said that there was something forced about the opposition's effort to interpret the current government's parliamentary base.

Issue-to-Issue Cooperation

Finance Committee chairman Anders Talleraas (Conservative) emphasized that it was the Conservative Party, the Christian People's Party and the Center Party in addition to the Progressive Party that had formed a majority by approving the budget for the coming year. "As Storting ends the debate on the national budget for 1986 today, it can be noted that in the main the government won support for its budget proposal. The minority government made up of Conservatives and members of the Christian People's Party and the Center Party will continue its issue-to-issue cooperation in Storting. The most important thing in our future work is to stimulate growth so that we can all reach the goals we agree on, namely jobs for everyone and a further development of the welfare state. This calls for broad cooperation both inside and outside of Storting," said Anders Talleraas.

Christian, Center Parties Boosted

Oslo AFTENPOSTEN in Norwegian 20 Dec 85 p 3

[Article by Morten Malmo and Einar Solvoll: "Christian, Center Parties Hold Key"]

[Text] Labor Party leader Gro Harlem Brundtland says the Christian People's Party and the Center Party hold the key to Norway's political course for the next 3 or 4 years. In yesterday's budget balancing debate in Storting she clearly stated that these parties will bear a heavy responsibility if prosperity is to be distributed more fairly in our society and if there is a rearrangement of the balance between private and public consumption.

After the budget compromise was reached between the government parties and the Progressive Party, people in the Labor Party and SV feel it is obvious that the Progressive Party is part of the government's parliamentary base.

Labor Party spokesmen were really aiming their shots at the Christian People's Party and the Center Party yesterday. The attacks were based on the two parties' reservations about the Progressive Party belonging to the government's parliamentary base.

Gro Harlem Brundtland put it like this: "In the budget recommendation the nonsocialist majority confirmed what we have all known since the election. By continuing as if nothing had happened the government parties took the two Progressive parliamentary representatives on board their ship in Storting. Not until Monday did they abandon their hopeless effort to keep these two representatives out of sight below deck. Then Hagen and the Christmas tree shone as brightly as any of the three other parliamentary leaders."

The deputy leader of the Labor Party, Einar Forde, had little to say about the agreement between the government parties and the Progressives or about future developments: "The last chapter in this saga has not been written, but this budget compromise represents an important chapter. There is no sense in this context in comparing the budget compromise with an issue-to-issue cooperation or a lottery compromise!"

Many Tears?

Arent M. Henriksen, SV's fiscal policy spokesman, also concentrated on the latest budget compromise. He recalled the election campaign when politicians from the Christian People's Party and the Center Party said that they would have nothing to do with Carl I. Hagen.

"Then they moderated their statements. Now they would talk to all parties in Storting. Then came the compromise, after which Buttedahl and Synnes went around denying what has happened. Synnes went so far as to say that without the cooperation with Hagen, which supposedly did not take place or should not have taken place, the national budget would not have been as good

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as it is now!" said Henriksen. He added: "This is a political confusion on the part of these two parties that will inevitably cause problems for Storting and relations between Storting and the government."

Henriksen also offered some advice to the Christian People's Party and the Center Party: "Make up your mind where you belong in Norwegian politics. Clarify your relationship to the various political divisions. Otherwise the situation will resemble a little-known stanza in a well-known hit from Trondheim: 'I fear there will be many tears and heavy moments.'"

On TV

One of those who has had an opportunity to follow the budget struggle right up to the four-party compromise is the deputy chairman of the Storting Finance Committee, Gunnar Berge (Labor). He referred to the compromise as a political compromise between the government parties and the Progressive Party. Berge also saw how the compromise was presented on TV last Monday and he referred yesterday to what he had seen on the screen: "The actors had noticeably different expressions on their faces. Jan P. Syse and Carl I. Hagen were beaming as brightly as the sun, even if we are in December. Hagen must feel like the man who came in from the cold. Kjell Magne Bondevik did not look happy!"

Concern Over Oil Price Uncertainty

Oslo AFTENPOSTEN in Norwegian 20 Dec 85 p 3

[Article by Morten Malmo and Einar Solvoll]

[Text] The government is deeply concerned about the future uncertain development of both the exchange rate of the dollar and oil prices. Finance Minister Rolf Presthus said in Storting yesterday that if the exchange rate of the dollar is 7 kroner 4 years from now and oil prices are at the 1985 level, tax revenues from the oil sector in 1989 will be 25 billion kroner compared to 47.5 billion this year. Oil and Energy Minister Kare Kristiansen pointed out that if oil prices fall to \$20 a barrel it would probably lead to the scrapping of plans to develop certain oil fields.

As an illustration of how oil prices and the exchange rate of the dollar directly affect the nation's economy, Kristiansen gave this example. With a price decline of \$1 per barrel the state loses between 1.5 and 2 billion kroner in revenue! "If the price drops substantially it will have a major impact on revenues and employment," the oil minister continued.

Reserves

Finance Minister Rolf Presthus did not hide the fact that some reserves have been built up to take care of a difficult situation, but in the budget balancing debate he stressed the point in his speech that economic policy in individual years could not vary in line with revenues from the oil sector. In an exchange of remarks after Presthus' speech, Hallvard Bakke of the Labor

Party said that Norway should pay more attention to the OPEC demand for moderation in the production of oil. Presthus replied that it is a serious matter for Norway to cut oil production. He also doubted the effect of such a move since Norway accounts for about 1 percent of the world's oil production. Presthus said--with reference to the uncertainty surrounding oil revenues--that we should not be too ambitious with regard to costly measures.

Banks Reprimanded

Presthus reprimanded the banks with unusual harshness in Storting because lending growth is now too high and he clearly warned that the banks could expect sterner measures on the part of the authorities to moderate growth in lending. He revealed that steps are now being discussed at the Finance Ministry and that the Credit Policy Advisory Council would meet right after New Year's. He also mentioned what he called the banks' very aggressive marketing of new loans and said this: "If this effort is stepped up further there will be little incentive to rob banks in order to get hold of the depositors' money. It will be easier to borrow these funds!"

Budget Stands at 240 Billion

When Finance Minister Rolf Presthus presented his proposal for the 1986 national budget in the middle of October, the bottom line was 237.9 billion kroner. After Storting finished up its balancing of the 1986 budget last night the final amount was 240.7 billion kroner. Of this amount 74 billion kroner will go to national insurance. The budget has grown this fall as a result of the government's proposed supplemental appropriations and the various "additional spending compromises" in Storting.

This is especially true of the compromises on national insurance and on the lottery on the part of the government parties, the Labor Party and SV and the final budget agreement between the government parties and the Progressive Party. This last compromise added 201 million kroner to the government's original proposal, most of which will go to increased children's benefits, highway investments, export measures and to district and local police forces.

Willoch Warned About Hagen

Oslo AFTENPOSTEN in Norwegian 20 Dec 85 p 2

[Editorial: "Firm Control"]

[Text] Next year's national budget is now assured with the help of the Progressive Party, but at an extra cost of around 1 billion kroner. As Finance Minister Rolf Presthus cautiously pointed out in yesterday's final budget debate in Storting, that is more of a spending increase than is desirable from an economic point of view. But it is part of the picture that the budget compromise arrived at by the four parties making up the nonsocialist majority is much better from a national economic perspective than the Labor Party's alternative.

The Labor Party loudly deplored the fact yesterday that the compromise sets aside a number of interim Storting resolutions on expenditures. Well, of course it does! Before the debate there was agreement across political lines that the cost of shifting majority resolutions involved a fiscal policy that was too expansive. When it came to the point where a decision had to be made the opposition asked that expenditures not be touched anyway. But the socialists had no difficulty in throwing overboard the preliminary agreements on the revenue side that were aimed at financing their own excessive spending plans with the help of new tax increases.

From a nonsocialist point of view the compromise with the Progressive Party saved the economic plan as a whole. Now we must look to the future. The Willoch government cannot base its existence on a supposition that Carl I. Hagen will rescue it every time. The coalition must work with the Progressive Party to decide on a governing model. To borrow an expression from Conservative parliamentary leader Jan P. Syse, there is "little reason to seek out the rocks in the ocean." The task of the majority is to find the channels between the rocks.

The compromise is a good beginning in this respect. The Progressive Party is part of the nonsocialist majority on which the existence of the Willoch government is based, but Hagen's party is not--and never will be--a coalition partner. It is equally clear that when the Labor Party and the Socialist-Left Party oppose the government, they will not have majority support unless they can count on the two Progressive votes.

Of course the middle party spokesmen are right when they say that Storting's final budget vote does not change the parliamentary situation. But it is something new that the same parties have recognized the actual parliamentary situation, if somewhat circuitously. This reluctant realization that "less than half the members of Storting want a socialist government" can provide a good basis for continued nonsocialist rule and a firmer guiding of events than we have seen earlier this fall.

This is not a question of making political concessions that damage anyone's credibility but of realizing that the four parties are "allies in the effort to guarantee a nonsocialist government." On this point we are in wholehearted agreement with Carl I. Hagen. And we have no problem in agreeing with the Labor Party's observation that the middle parties have also chosen sides. There is no reason why they should be ashamed of this.

Progressives' New Spender Image

Oslo AFTENPOSTEN in Norwegian 21 Dec 85 p 3

[Commentary by Lars Hellberg: "Triumph as New Spender Party"]

[Text] The Progressive Party stands out today as a spender party in conflict with its own voters. But with that reservation, Carl I. Hagen has had things both ways in the course of the fall budget debate. The government parties

have paid dearly for their lack of political strategy but Hagen's new profile could also turn out to be costly for the Progressive Party.

Hagen and Bjorn Erling Ytterhorn received no written endorsement as part of the Willoch government's parliamentary base. On the other hand, in an effort to avoid putting this in writing the middle parties gave Hagen political concessions worth a total of around 1 billion kroner. In the last few days alone he received extra rewards to the tune of 63 million kroner.

At the same time the reality is clear enough with regard to the government's parliamentary base. The picture of the four parliamentary leaders in front of the Storting Christmas tree was a good illustration of the fact that the Progressive Party is part of the government's parliamentary support system. Next year's national budget will also be settled on the basis of the endorsement of a nonsocialist majority and the Progressive Party is an essential part of that majority.

Costly Words

The cost of the coalition's lack of strategy can be summed up quite simply. Expenditures in the national budget are around a billion kroner higher than they were in the original proposal. As late as last week Hagen was prepared to accept an addition of 138 million kroner to the final budget bill if he received a statement that his party is part of the government's parliamentary base. Monday night he accepted a limit of 201 million kroner, without getting this acknowledgement of reality put down on paper. Words, not to mention letters, are expensive just now.

Costly Triumph?

But Hagen's triumph could also turn out to be costly. In many ways the outlines of the party seem different now than the ones the voters thought they saw in the campaign. What started out in 1973 in the Saga Cinema as Anders Lange's Party, based on big cuts in taxes and public intervention, has become a spender party. Hagen can talk until he is blue in the face about the party having a long list of proposed spending cuts, but the results of the party's effort can be read in next year's national budget. It will not mollify party voters that Hagen can point to the political concessions he received on the spending side of the ledger.

But the government parties should not underestimate Hagen. The Progressive Party is an incalculable factor in Norwegian politics. Hagen has made an effort to transform a protest movement of somewhat random composition into a political party of a more traditional kind. Despite strong protests from his own members he has come a long way in this respect. But in doing so the party has fallen between two stools. It tries to behave like something other than a protest movement, but as a political party it is still an immature teenager who does not inspire great confidence among broad groups of voters.

The party is still a complex mixture of urban liberals and rural populists. Incidentally that is a more elegant version of the words used by many of

those who have left the party since the election. They like to call them city idiots and rural fools. This is just mentioned to illustrate the size of the waves in the internal debates. Insults also abounded when Hagen was party secretary for Anders Lange.

Natural Catastrophe

As we all know Lange turned up on the political scene like a natural catastrophe one day in April 12 1/2 years ago. His election manifesto was a series of statements, all of which started off with the words, "We are tired of...." Anders Lange's Party did not sustain itself with its own proposals but counted on the discontent voters felt with the other parties. Hagen was considerably further down the line than Lange when demagogic talent was handed out. On the other hand he proved even then to be a deliberate practitioner of power politics with a captivating dexterity that soon brought him in conflict with the movement's founder.

It is an irony of fate that the party secretary who was later expelled should form the basis of his political career by inheriting Lange's Storting seat. At that time Hagen reported to Storting as the representative of another new party, the Reform Party. His time came when the party with the long name was replaced by the Progressive Party, which also included the Reform Party, in January 1977.

In Ruins

But by then Lange's lifework lay in ruins. In the election that fall every single vote cast for the new party was wasted and most people thought this phenomenon was gone for good. But Hagen rallied the remnants of the party to make the Storting election 4 years later a great personal public relations success. The Progressive Party turned up in Storting with four representatives but in a situation where there was a clear nonsocialist majority the quartet never had any troublesome influence.

But they gained enough attention that the party did very well in the municipal and county elections 2 years later. In the clear cold light of reflection one might ask if the party did not do a little too well for its own good. At any rate the party had more than one representative on several municipal and county councils. The result in many places was that the political explosive force in the often hurriedly assembled groups was unleashed to the fullest extent.

Maximum Effect

The problems on the local level and the lack of cohesiveness on the national level are probably the most important reasons why the party emerged from the election this fall as the big loser. But it must be admitted that so far Hagen has achieved the maximum effect from his swing vote position. He has more problems with his own voters than with the three government parties.

The opinion polls speak clearly. Hagen's triumph in the final budget decision can prove to be a heavy burden for the party. It is also part of the picture that it was the united efforts of the coalition parties that allowed Hagen to have things both ways. If the coalition has learned its lesson it is quite possible that it can neutralize the Progressive Party. If not, things could really go wrong the next time a crossroads is reached.

Brundtland Expects Governing Difficulties

Oslo AFTENPOSTEN in Norwegian 21 Dec 85 p 9

[Text] "Nonsocialist disputes will lead to paralysis in governing the country. The government has been standing still ever since the election, wasting months of time and energy before it reached a budget compromise," said Labor Party leader Gro Harlem Brundtland in a New Year's interview with NTB.

"We are probably headed for a continued difficult and checkered period in Norwegian political history, a period that will be characterized by nonsocialist conflict, reciprocal veto situations on the part of the four nonsocialist parties and a continual tug of war. The government parties are so concerned with landing on their collective feet that they have no time for constructive and future-oriented political thinking. The chaotic and confused situation in Storting also gives a picture of the situation in the government offices," Gro Harlem Brundtland charged.

"The glue that seems to be holding the government together is the election promise to form a nonsocialist government. If the middle parties feel that this promise is overshadowing other specific issues to an inordinate extent, the situation will become impossible. The degree of internal conflict in the Center Party and the Christian People's Party will determine whether the government remains in office," she said.

No Victors

When asked if she felt there were any victors in this year's budget conflict, she replied that it depended on one's point of departure.

"This whole period has been a senseless drama and a waste of effort. A natural reply would be that everyone has lost because the nonsocialist parties have been floating up in the air without contact with the ground. The middle parties have floated the highest because they have tried to the best of their ability to forget the existence of Carl I. Hagen. Now that everyone has come down to earth the fall was probably the greatest for the middle parties. The most surprising aspect is that Prime Minister Willoch took their part for so long," she said.

Sobriety

The Labor Party leader now hopes there will be some sobriety on the part of the nonsocialists. "Until today the nonsocialists have not grasped the real situation but have tried to define themselves away from reality."

Gro Harlem Brundtland thought it was very significant that AFTENPOSTEN had clearly pointed out that this is a nonsocialist majority made up of four parties and that the attempt to make the minority into a scapegoat has been unsuccessful.

"It is not credible to say that the minority is to blame because the government did not assure itself of majority support for its budget. The 80 non-socialist representatives can help to establish proper and orderly conditions in Storting so that we can hold real political discussions once more."

Debate on Freedom

But the opposition leader is concerned with other matters in addition to the conduct of the government parties. Work has already started on the 1987 municipal elections and the 1989 Storting election.

"It is in the local party organizations that we are laying the foundation for election victories in both 1987 and 1989. Although work in Storting is important it must not be allowed to dominate the party's activity," she said.

The party organizations will be involved in a discussion of the kind of society we want. "The debate on freedom will be a rallying point in this offensive. Here we will start a process that can create involvement by ordinary people in matters that affect their own future. We must listen to a greater extent to the wishes and ideas of ordinary people. It is important to move forward. Conflicts in Storting often have a perspective that is too shortsighted. A year between elections should be used for long-range thinking," said the leader of the Labor Party.

Syse Engineered Compromise

Oslo AFTENPOSTEN in Norwegian 21 Dec 85 p 10

[Article by Einar Solvoll: "Syse Often Has to Count to Ten"]

[Text] Jan P. Syse is the man who saved the nonsocialist budget compromise and along with it the existence of the Willoch government--without making anyone lose face. On the TV screen he may seem a little academic and remote but people who have met him--if only for a few minutes--are easily infected with his optimism and enthusiasm. Following the fall election he has played a key role in Storting. Personally he thrives when dramatic situations build up and problems emerge.

"I am probably a typical product of Norwegian Puritanism and I have a guilty conscience when I feel good 3 days in a row. That may be why I do so well in this kind of situation," he says.

Jan P. Syse exemplifies patience. "If I pound on the table it is after considered reflection. Angry feelings and temperament must be under control. But there are times when I have to count to 10 to convince myself that I am

dealing with a nice person. This is something that all negotiators are familiar with," said Jan P. Syse.

As deputy representative to Storting and prospective chairman of the Oslo branch of the Conservative Party, he sat in the Storting restaurant in the early 1970's and said that his ambition was to have the Conservative Party become the biggest party in the capital. A good many press people must have raised their eyebrows because Oslo had traditionally been a secure Labor bastion. In 1974 Syse was elected--at a time when the Labor Party was ahead by only a little under 5 percent of the votes compared to the Conservative Party. Three years ago he stepped down and by then the Conservatives were 10 percent larger than the Labor Party in the capital.

After the difficult Storting election earlier this fall when the Willoch government declined to a minority government with the Progressive Party casting the deciding votes, Syse was ordered by the prime minister to leave his cabinet post to take over the leadership of the Conservative group in Storting. He did not conceal his bitterness over this transfer and many of the newly-elected Conservative representatives may have expected the new parliamentary leader to vent his discontent from the very beginning. But Syse made his debut at a strategy conference in October with an enthusiastic speech that gave the Conservatives both inspiration and the self-confidence they needed to get started.

This enthusiasm has also infected the coalition parties' representatives all fall and they had been even more pessimistic about the election results. Then finally, in the 11th hour, it also infected Carl I. Hagen's Progressive Party which had driven itself into a "suicide corner" and needed help from other people to get out of its predicament. It is no secret on Lovebakken that it was Jan P. Syse who helped the Progressive Party avoid losing face; not for the party's sake but in order to save the government and ensure majority support for the national budget.

Does he miss the Liberals in Storting?

"No, I don't. We have many Liberals here in Storting but they are all hanging on the wall. The way the party developed it is not so strange that things turned out that way," replied Jan P. Syse.

Does he hope the Progressive Party will meet the same fate in 1989?

"I won't hand out testimonials to parties we have to work with, but I would like to say that if the Progressive Party continues its behavior from this fall it will have big problems in the next election. Most people had formed a certain picture of the party before the election this year and it has surprised many people that the party has voted with the socialists time after time. This may have become too burdensome after a while and I would not rule out the possibility that this is why the Progressives were willing to enter into a nonsocialist compromise in the end."

Jan P. Syse would not comment in more detail on the Progressive Party's development since the fall election, but political observers could not fail to note that Carl I. Hagen's big ambitions were dashed in September. From a high goal of 15 seats, the party was cut in half instead, going from four to two Storting representatives--although they are in a decisive position. The leaders of the Christian People's Party and the Center Party have not lessened his inferiority complex by remaining aloof from the Progressive Party throughout the fall. Harald Synnes and Johan Buttedahl came close to "passing out" every time a journalist or photographer showed up when Carl I. Hagen was in the vicinity and finally Hagen was willing to create a government crisis so that members of the government parties would recognize him personally and politically.

Syse, as Conservative parliamentary leader, has been more levelheaded and has had no objections to talking with Hagen. Therefore it is not so strange that the names of Hagen and Syse appear under the compromise--on an extremely small piece of paper--that rescued the government.

The Conservative parliamentary leader is 55 years old, the son of a city manager and a dentist. He is a jurist and became active in politics at an early age, including serving as chairman of the Conservative Student Society and Conservative Youth and as member of the Oslo City Council alongside his shipping job with Wilhelm Wilhelmsen's shipping company. At the age of 37 he became assistant deputy director general of the Ministry of Trade and one of the most trusted colleagues of then Trade Minister Kare Willoch. When Willoch left the government and moved to Storting, Syse became undersecretary in the Ministry of Justice.

When Kare Willoch formed his all-Conservative government in 1981, Syse became chairman of the Finance Committee and had an opportunity to try out his ability to steer a minority government's budget through Storting. Two years later the government was expanded with the addition of the two middle parties. It became a majority government. Syse then became minister of industrial affairs, but as soon as Willoch was in the minority again this fall, Syse was ordered back to Storting as leader of the Conservative group.

In Storting Jan P. Syse's office is located next to those of the other coalition party leaders, Harald Synnes and Johan Buttedahl--whom he praises highly for their pleasant and good-humored conduct. Something that others find it harder to see in critical situations. There is a story that makes Syse chuckle. Synnes and Syse were on their way into the Storting hall and Syse was stopped by two people in a row who wanted him to take on new jobs. Synnesthen remarked with reference to William Gladstone that "he was such a master at saying no that in the end his name inevitably came up in connection with every office." The Conservative leader said in the spirit of Gladstone that at the moment he was definitely not on the lookout for any new posts.

In Storting Syse shares a double bench with opposition leader Gro Harlem Brundtland. Is it a cat and dog relationship? "It is clear that it is part of the opposition's job to attack the other side's weaknesses as well as stressing its own strengths," said Syse. "But both of us have enough

experience from politics as well as from academic life so that we are able to distinguish between issues and personalities. I assume we both have the ability to 'snipe' at each other's political standpoints from the rostrum without tearing each other's hair out down on the bench," he said.

The fall's test of strength, the national budget, has been a test of patience for many people. "I have spent far too little time at home," said Syse. "It is a strange job. One goes from 8 in the morning to almost 11 at night and is so busy all the time. But it is not always easy to say what one has done. The whole thing is a mixture of creating policy, acting as spiritual adviser, taking care of details and getting things to run smoothly."

He consoles himself with the words of wisdom that are inscribed over one of the doors to the Danish Folketing: "God tempers the wind to the shorn lamb." "That can be a consolation for those who got clipped this fall. Everyone had to put up with this experience."

Another inscription goes: "A crowing cock does not always signal a new dawn."

What does the Conservative parliamentary leader do in his spare time? "When Storting is in session there is not much opportunity to relax, but the rest of the time I do what most people do. We have arranged things sensibly here in Oslo with only a flower box on a balcony. But I love to dig in the ground and build onto and fix up our cottage in Notteroy. Cleaning house or washing the dishes are also good ways to relax," said Jan P. Syse who will take time off over the New Year's holiday for a trip south with his wife and two sons.

"I'm really looking forward to Christmas. We start off Christmas Eve with a meal of boiled cod, a tradition that I as an immigrant to Oslo from Vestland via Sorland and Notteroy have brought with me. With beer and Aquavit to drink for those who want it. Line Aquavit, brought across the equator on a Wilhelmsen ship, is what it must be. That is high quality down to the last drop," said this fall's new leader of the Conservative group in Storting.

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POLITICAL

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PINTASILGO CANDIDACY STILL CONSIDERED STRONG

Why Fanes Withheld Support

Lisbon O DIABO in Portuguese 19 Nov 85 p 2

[Article by Jose Miguel Judice]

[Text] With his endorsement of Salgado Zenha, President Ramalho Fanes ended the long agony of deciding on his choice to succeed him. His preference was certainly not Zenha, but Costa Bras (and before that, Garcia dos Santos, who turned down the "invitation"), but the president made the possible choice. Many words have been written to explain the president's choice and whether it was reasonable or justifiable, but I do not believe anyone has addressed the critical question which must precede the others: why Fanes did not support Maria de Lourdes Pintasilgo.

There is obviously an official explanation for withholding that support: the candidate was advancing, she was establishing herself and did not bother to seek the presidential sponsorship or blessing, thereby committing a real act of sedition. This is a possible explanation but an improbable one. One might concede that this would justify a certain coolness, some distancing, a certain reticence for a few months. But what heights of megalomania, what depths of dynastic zeal would have to exist in the pale and enigmatic general to make this sufficient explanation to justify the continuing search for a candidate and the absolute and unequivocal refusal to even consider the possibility of supporting the individual he had once selected as prime minister?

The truth must lie elsewhere, even if it might appear to be here. To find the truth, one must bear in mind that there would be every justification for supporting Maria de Lourdes Pintasilgo. In the first place, as a presidential candidate, she was a creation of Fanes: without the notoriety resulting from having been selected as prime minister, her candidacy would never even have been a consideration. In the second place, there is the possibility of success. I can say in all sincerity: with the support of Ramalho Fanes, Maria de Lourdes Pintasilgo could hardly have lost the presidential election, which is certainly a solid argument to justify that support.

In the third place, there is the factor of the ideological similarity. Maria de Lurdes Pintasilgo speaks of ideas which are similar to many of those which appear in learned articles by the president. In the fourth place, there is the nature of the candidacy: independent of the parties, within the Christian cultural framework of Portugal, supported by the left, but unequivocally the non-Communist left. None of this--which is saying quite a lot, almost everything--was enough for the president to declare his support. So why didn't the pale and enigmatic president support Pintasilgo?

I believe there were three relevant reasons. The first one is that Ramalho Eanes, who knows his former prime minister and advisor very well, does not think she is capable of assuming the presidential office, whether or not he still believes she was capable of handling the job of prime minister, to which the president named her 6 years ago.

The second reason is that Ramalho Eanes never believed that Pintasilgo's popularity would stand up to time as election day drew nearer and, when he realized that it would, it was already so late that his support would have seemed like a capitulation to the candidate.

The third reason is that the Communist Party was never willing to consider the possibility of Pintasilgo (although, prudently, it did not antagonize her until it had an alternative in sight) and Ramalho Eanes, for reasons which would allow for various explanations or theories, never wanted any direct clash with the PCP; indeed, he preferred to cooperate with the party. Even in 1976 (it is obvious now), the Octavio Pato candidacy was a form of support by the PCP for Ramalho Eanes, since a serious candidate could have constituted an alternative to Eanes on the left and this is what the PCP--for whatever reason--has sought to avoid for 10 years running.

These three reasons are there and, together, they played a part in the president's refusal to support Pintasilgo. A fourth reason will be pointed out by others: the fact that Pintasilgo could be considered incapable of creating consensus among the parties on the left--but this is not a serious reason. If this were actually a reason, Ramalho Eanes could never support Salgado Zenha, who is a bombshell for the PS [Socialist Party]. Or could it be that the historical and political mission of Ramalho Eanes is, as Sa Carneiro thought and Mario Soares and Freitas do Amaral still believe, to disorganize, disrupt, perhaps destroy the political parties that have formed to the right of the PCP, particularly the PS and the PSD [Social Democratic Party]? Isn't it obvious that if Maria de Lurdes Pintasilgo won the presidency, the greatest damage would be done to the PCP?

PCP Seen on 'War Path'

Lisbon TEMPO in Portuguese 27-28 Nov 85 p 10

[Commentary by R.F.]

[Text] Communist Party [PCP] and Democratic Renewal Party [PRD] members have launched an all-out war against Lurdes Pintasilgo's candidacy. While Cunha

and the top leaders of the PCP Central Committee are going around meeting with party militants to prevent any flight of votes to a candidacy considered rebellious and rash, the Renewal members are leaking reports about surveys which indicate that, among those who voted with the PRD on 6 October, support for Pintasilgo has declined significantly.

The primary aim of the two parties backing Zenha is to persuade Pintasilgo to withdraw from the presidential race, which would allow a significant concentration of votes on a candidate to lead a future "Popular Front," capable of installing a "Government of National Salvation," to use the language of the Communists.

Just last Tuesday, in a full session of the parliament, a PRD deputy said he was pleased with the results of a survey which he had received that day and which indicated a 40-percent decline in PRD voters who were leaning toward supporting Pintasilgo.

To bolster the idea that Pintasilgo's candidacy is rapidly losing steam, the PRD leader stressed that this poll was conducted before the public announcement of Eanes' letter of support to Salgado Zenha, which millions of people saw on television.

The PCP support and the growing support by PRD voters for Zenha's candidacy has significantly heightened the optimism of the PRD leaders.

In quick and sure counts, the PRD points to a vote of about 30 percent for Zenha in the first round, with about 40 percent for Freitas [do Amaral] and 15 percent for both Mario Soares and Lurdes Pintasilgo.

Regarding the second round, the PRD is confident that it will pick up the votes which went to Soares in the first round. "We are sure that the PS [Socialist Party] will support Zenha in the second round, particularly because, after Soares is defeated, the Socialist leadership will certainly be different from the present leadership," a PRD leader told us.

Certain of winning the presidential election, the PRD is now thinking about taking over the executive branch. After the second National Convention, planned for April or May, the PRD could bring down the current Cavaco Silva government.

The abstentions of today, which enabled passage of the program of the 10th Constitutional Government in the Assembly of the Republic, could turn into fierce opposition in the spring of 1986. Bolstered by Zenha's victory in the presidential election, the PRD would like to see the Front which has now been established with the PCP win the legislative elections next year.

However, when they talk about the PCP and the Communist support for Zenha, the Renewal members hope that Alvaro Cunhal will play down that support until election day, campaigning with the same moderation that the Communists used in 1980 to reelect Eanes.

Poll Shows Popularity Drop

Lisbon SEMANARIO in Portuguese 23 Nov 85 p 3

[Commentary by L.G.]

[Text] The results of the NORMA/SEMANARIO survey, conducted in Lisbon, Porto, Coimbra, Evora, Vila Real and Viseu on 29 October [as published] (hence only 3 days ago), constitute a real bombshell.

They reveal, on one hand, that Diogo Freitas do Amaral makes a sweep of the Right, with values never before achieved throughout recent months.

At the same time, Francisco Salgado Zenha took 16.3 percent of the votes, less than 1 week after he announced his candidacy and the day after his first television interview.

These figures point to something which few would have expected: the second round of the presidential election might well be between Freitas do Amaral and Salgado Zenha.

Diogo Freitas do Amaral leads the current poll, with 38.7 percent of the votes and with similar and strong support in all the cities in which the poll was conducted.

He succeeded in capturing almost the 40 percent which the PSD [Social Democratic Party] plus the CDS [Social Democratic Center Party] won in the 6 October elections, and it is also observed that most of those who are still undecided are not a part of that electorate. Moreover, support for Freitas has risen from 22.8 percent to 38.7 percent, which is spectacular, considering that the first figure was from the poll conducted between 9 and 17 October--a sign that the PSD supports him as a block and that his primary campaign has been a success.

There is only one dark cloud, although it is important. There are no signs to date that Freitas do Amaral is picking up any votes on the left.

Pintasilgo: Big Loser

Maria de Lourdes Pintasilgo is the big loser in this poll. She has gone from 35.7 percent to 22.3 percent in about 1 month, losing 13.1 percent in Lisbon, 14.4 percent in Porto, 30 percent in Evora, 5.7 percent in Vila Real and 3.3 percent in Viseu. She held on in Coimbra. This means she has lost strength in areas with a heavy concentration of PCP voters, rather than in conservative areas.

Moreover, Maria de Lourdes Pintasilgo lost support among both sexes, in all age groups (primarily the youngest voters) and in all the socioeconomic classes (A, B and C) except one (she maintained her strength in Class D).

Lourdes Pintasilgo has a titanic battle ahead of her, to prevent the flight of PSD and PCP voters who, along with some (a few) PS voters, are still undecided: 11.3 percent, as against 9.3 percent in October.

But the times are not propitious for her; this is troubling for the candidate and for the Right, which until now has seen Pintasilgo as a strong "bulwark" against the candidate to be officially supported by the PCP and by Fancer.

Soares: Disaster

The poll "wipes out" Mario Soares. He went from 19.6 percent in October to 8.3 percent, a loss of 11.3 percent, or over half his intended supporters.

Soares has lost 10.5 percent in Lisbon, 14.6 percent in Porto, 5.9 percent in Coimbra, 11.5 percent in Evora, 24 percent in Vila Real and 2.3 percent in Viseu.

The lost votes were transferred particularly to Francisco Salgado Zenha (who picked up some 8 percent) and then to the undecided column (from 1 percent to 2 percent).

Thus Mario Soares would appear to be totally eliminated from the second round if the election were held today.

Zenha: Straight Arrow

Francisco Salgado Zenha appears with 16.3 percent of the votes and a consistently strong position in all the cities polled.

He took about 8 percent of the Socialist vote and 8 percent of Pintasilgo's votes, probably Communist votes.

Thus, the remaining 5 percent which Pintasilgo dropped went to the undecided column.

Less than a week into his campaign (and before General and Mrs Fancer made their appearance in force), Zenha has shown he has the 15 percent which Soares was averaging in surveys during the last year, and half of this without as great difficulty. He has also shown he can attract the Communist voters even before the PCP has given its final stamp of approval.

He does not yet have the PRD voters who are still holding out for Pintasilgo or are prisoners of indecision.

Given this picture, the 6 percent which separates Zenha from Pintasilgo does not seem to stand very much in the way of Zenha's hopes of reaching the second round.

Undecided--From Right to left

In October, 9.3 percent of the respondents were undecided and 6.7 percent would not vote for any of the candidates presented then. Oddly, the majority of this 14 percent were situated on the Right, in the area of the PSD, as demonstrated by the large number of undecided in the more conservative cities (Viseu and Vila Real).

Diogo Freitas do Amaral picked up more than 10 percent in this area (and another 2.8 percent which had supported Jaime Ferreira in the October survey).

Meanwhile, Soares lost 3 percent to the undecided column and Pintasilgo lost about 6 percent to it.

Thus, 11.3 percent are now undecided and 1.2 percent would not vote for any of the candidates named.

It is important to note that those who rejected all the current candidates declined from 6.7 percent to 1.2 percent, and there was a decline from 3.1 percent to 1.4 percent among those who had no response.

This means that the electorate is highly motivated to vote and has just about settled for this list of candidates.

Possible Developments

Freitas do Amaral is secure for the first round, since he should win at least 35 percent and is clearly coming close to the 40 percent who voted on the Right in the legislative elections. Mario Soares is showing no sign of any noticeable gains and it is unlikely that he will exceed the 15 percent won in previous polls, if he can achieve even that.

This leaves about 45 percent--if not more--to be divided between Lourdes Pintasilgo and Salgado Zenha.

Pintasilgo will have to defend herself from the ongoing erosion and Zenha need only maintain the trend seen now.

Regarding the second round, from all indications, Mario Soares will not be the one to face Diogo Freitas do Amaral.

If it is Lourdes Pintasilgo against Amaral, it is quite possible that Amaral will go after the Mario Soares electorate; he will need 12 percent of it to win the election.

If it is Salgado Zenha, the problem is more difficult, because that 12 percent is part of a party electorate which is closer to Zenha than to Pintasilgo. It is among this electorate that the current survey is already revealing major advances by the recently-announced candidate.

To summarize: Freitas do Amaral can rest easy for the first round, but it will be a critical round for Pintasilgo and Zenha.

The second round will be very troublesome for Freitas do Amaral, and apparently easier for Salgado Zenha than for Maria de Lourdes Pintasilgo.

In any event, the election will be almost certain disaster for Mario Soares--and what a disaster!

Table 1: Results of Presidential Election Poll in Six Cities

<u>Candidate</u>	<u>Total</u>	<u>Lisbon</u>	<u>Porto</u>	<u>Coimbra</u>	<u>Evora</u>	<u>Vila Real</u>	<u>Viseu</u>
Francisco de Amaral	38.7	37.3	42.1	39.7	29.5	48.0	52.0
Mario Soares	8.3	5.6	15.6	7.9	5.5	10.6	9.7
M.L. Pintasilgo	22.8	25.0	18.5	20.4	23.9	9.4	16.1
Salgado Zenha	16.3	16.4	15.4	22.4	15.5	11.9	7.4
Undecided	11.3	14.5	3.4	8.0	13.1	13.2	8.4
None of these	1.2	-	2.9	.8	11.4	2.7	6.3
No response	1.4	1.3	2.0	.7	1.2	4.1	-

Table 2: Results of Presidential Election Poll by Sex, Age and Socioeconomic Class

<u>Candidate</u>	<u>Total</u>	<u>Sex</u>		<u>Age</u>		<u>Socioeconomic Class</u>		
		<u>M</u>	<u>F</u>	<u>18-44</u>	<u>45+</u>	<u>Upper</u>	<u>Middle</u>	<u>Lower</u>
Amaral	38.7	39.6	37.8	36.2	41.0	57.4	33.0	7.5
Soares	8.3	9.0	7.6	8.0	8.6	4.7	10.3	4.5
Pintasilgo	22.3	14.8	30.1	21.5	24.0	7.1	23.9	86.9
Zenha	16.3	22.0	11.1	16.4	16.1	12.0	19.3	.2
Undecided	11.3	12.1	10.5	14.7	8.1	16.4	9.9	.9
None of these	1.2	1.4	1.1	1.9	.7	2.3	.9	-
No response	1.4	1.1	1.7	1.3	1.5	-	2.2	-

Technical Note.

Universe: Residents over 18 years of age in Lisbon, Porto, Coimbra, Evora, Vila Real and Viseu. Sample: a total of 613 individuals were interviewed. Sample selection: by the random route method for household and the Kish method for individual within household. Technique: direct and personal interview with a structured questionnaire at the respondent's residence. Field work: interviews were conducted on 20 October [as published]. Margin of error: plus or minus 4 percent with a confidence interval of 95 percent where p = 50 percent. Responsible institution: the survey was conducted by NORMA, Inc, Portuguese affiliate of Gallup International.

[Translator's note: All the references in the body of the article would seem to indicate that the survey was conducted on 20 November, not 20 October.]

Pintasilgo Seen 'Ideal Candidate'

Lisbon O JORNAL in Portuguese 27-28 Nov 85 p 2

[Text] Maria de Lourdes Pintasilgo's profile is thought to approximate most closely the ideal in a president of the republic, reveals a MARKET survey conducted for O JORNAL.

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According to this poll, the former prime minister's only shortcoming is with regard to international prestige, in which she falls far behind Soares and also Freitas do Amaral.

However, all the candidates are still far from having the profile desired by the Portuguese people, specifically in the values which the latter consider the most important, such as "competence" and "honesty." Even so, Pintasilgo comes closest to the values considered ideal.

Freitas do Amaral has the second best profile and is behind Soares only with regard to "international prestige," the only quality in which Amaral himself surpasses Pintasilgo. Otherwise, Freitas do Amaral's best attribute is "firmness," followed by "competence" and "decision-making capacity."

Soares surpasses his competitors only with regard to international prestige. The attributes which lend themselves most to the ideal, in addition to international prestige, are "firmness," "decisiveness" and, obviously, "warmth," a quality noted positively in each of the candidates.

Pintasilgo's great trump cards are "warmth," the ability to "listen to the Portuguese" and "honesty." However, regarding such traits as "competence" and the "ability to make the country work," she also takes the laurels away from her competitors.

The voters think the most important traits in a presidential candidate are "competence," followed by "honesty," "defense of social justice," "capacity to make the country function" and "decisiveness." The least important aspects are "warmth," "the ability to rise above party politics" and "international prestige."

Still Preferred by PRD

Lisbon EXPRESSO in Portuguese 16 Nov 85 p 24

[Text] Lourenço Pintasilgo is, by a wide margin, the preferred presidential candidate of the PRD [Democratic Renewal Party] electorate, but Salgado Zenha has already emerged in second place, according to a survey conducted among voters on the EXPRESSO/Expansao panel. The survey covered only voters who declared they had voted for the PRD in the last elections; it was conducted on Monday, 9 November, hence before Salgado Zenha had formally announced his candidacy.

This explains why his name was never mentioned spontaneously by the respondents, whereas they mentioned other candidates who are not even in the area of the PRD. This was the case with Freitas do Amaral, for whom 9.1 percent of the respondents said they would vote. Pintasilgo was mentioned most in spontaneous responses, by 24.5 percent of the respondents, and Garcia dos Santos was mentioned third (with only 1 percent). Some 65.4 percent of those interviewed responded that they were still undecided or were not going to vote.

That percentage declined notably when the respondents were presented with four alternative names: Almeida e Costa, Garcia dos Santos, Lourenço Pintasilgo and Salgado Zenha.

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It was here that the former prime minister received the best "score": 46.6 percent. Zenha, the second most cited name, was well behind (13.8 percent), whereas both Almeida e Costa and Garcia dos Santos received only a residual 1 percent and 3.8 percent, respectively.

The aborted candidacy of Costa Braz was also examined in this survey: 46.9 percent of the respondents said they had gone along with Ramalho Eanes in his support of Costa Braz; 4.6 percent disagreed with that support and 28.5 percent had no opinion. (The survey was conducted by 21 interviewers, under supervision, among 102 PRD voters who are included in the EXPRESSO-Euroexpansao panel.)

Women Polled

Lisbon EXPRESSO in Portuguese 23 Nov 85 pp 1,5

[Text] At this moment Lourdes Pintasilgo has the overwhelming support of 93 percent of the female voters of the APU [United People's Alliance], according to a survey of voters included in the EXPRESSO-Euroexpansao panel, conducted this week (19, 20 and 21 November), hence after Alvaro Cunhal, Angelo Veloso and other Communist leaders had implied in public statements that the PCP was going to support the candidacy of Salgado Zenha.

Freitas do Amaral (36 percent) and Pintasilgo (34 percent) were clearly favored among female voters, who were the exclusive subjects of this survey. Mario Soares was in third place, with only one-third of the "score" of the first two (12.3 percent) and Salgado Zenha came in last, with a modest 5.4 percent, despite the fact that the interviews were conducted on 20 and 21 November, thus after his first major television appearance on the Margarida Marante program last Tuesday.

Unlike Lourdes Pintasilgo, whose major support came from urban voters under 45 years of age, Freitas do Amaral's female support is concentrated in rural areas and among older women.

Asked to state their specific opinion of the former prime minister's candidacy, the respondents who supported Lourdes Pintasilgo mentioned her "warmth" (27 percent), her "experience in government" (26 percent) and the "confidence" which she inspires (22 percent) as the principal factors determining their preference for her. Only 16 percent mentioned the fact that she was a woman as a decisive factor and those who did thought that a woman would be a good president of the republic for two basic reasons: a woman is more sensitive to social problems (43 percent) and a woman is as capable as a man (42 percent).

The women who do not support Pintasilgo offered the following reasons: 40 percent prefer another candidate and 21 percent are not sympathetic to Pintasilgo or her ideology. Only 5 percent said that PCP support was a factor in their rejection of Pintasilgo and, oddly enough, 16 percent of the female voters would not vote for her because she was a woman. Almost all of these voters (92 percent of them) even thought that Pintasilgo "would not make a good president" purely and simply because she was a woman.

looking at the way in which the voters from each party (according to how they voted on 6 October) are divided among the various candidates, it is seen that Mario Soares took only about half of the Socialists (40 percent) and managed to pick up some female voters from the PSD [Social Democratic Party] (7 percent) and the APD (7 percent).

Apart from the massive support of the female APD voters, Pintasilgo is also received very sympathetically among female voters in the PRD [Democratic Renewal Party] (63 percent) and the PS [Socialist Party] (30 percent). The former Christian Democratic leader [Freitas do Amaral] has the support of almost all the female Centrists [Social Democratic Center Party] and the PSD (82 percent) and Salgado Zenha has his strongest support among the female PRD and PS voters (19 percent and 6 percent, respectively).

Another item included in the survey revealed voting trends among female voters who said they had not yet decided among the various candidates. As shown in the table, Freitas do Amaral is clearly in the strongest position at the outset, with 25.4 percent of the female voters who have already decided, and he adds about 11 percent to his "score" with the undecided who are "thinking of voting" for him (3.8 percent) or who are "more sympathetic" to him (7.1 percent).

Both Pintasilgo and Zenha depend on the votes of the undecided for more than half their total support (19.2 percent of the 33.5 percent in Pintasilgo's column and 4.4 percent of the 5.4 percent in Zenha's case). The ratio is more balanced in Mario Soares' case.

The interviews in this survey were conducted by 16 interviewers (under supervision) among 250 women included in the EXPRESSO-Puroexpansao panel, representing the mainland female electorate.

Table : Voter Preferences Among the Female Electorate (in percentages)

<u>Candidate</u>	<u>Total</u>	<u>Already Decided</u>		<u>Thinking of Voting For:</u>		<u>Most Sym- pathetic To:</u>
Freitas	36.1	25.2	+	3.8	+	7.1
Pintasilgo	33.5	14.3	+	5.7	+	13.5
Soares	12.3	7.2	+	1.9	+	3.2
Zenha	5.4	1.0	+	1.3	+	3.1
Undecided	12.7	12.3	=	39.6	+	12.7

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SALGADO ZENHA CANDIDACY VIEWED FROM VARIOUS PERSPECTIVES

Candidacy Seen Ambiguous

Lisbon EXPRESSO in Portuguese 16 Nov 85 p 3

[Article by Jose Antonio Saraiva]

[Text] Salgado Zenha's candidacy rests on several "ambiguous situations" which will probably never be clarified.

The first problem is this: Does Ramalho Eanes support Zenha out of conviction or simply because he considers it a "moral obligation"?

The question is raised because, in deciding to run for the presidency, Salgado Zenha placed Eanes in an extremely difficult situation.

It is known that the figure of Salgado Zenha merits particular "respect" and "consideration" from the president of the republic, such that Eanes could never withhold his support if it were requested.

But can it be said that the president "desired" this candidacy?

It is difficult to say yes.

At least one thing is certain: the man whom the current president of the republic would most like to see in Belem Palace was Col Costa Braz.

Meanwhile, it is curious that the "ambiguous situation" which will certainly lead Ramalho Eanes to support Salgado Zenha (with more or less conviction) could also lead to another, no less "ambiguous" situation.

We are referring to the probable endorsement by the PRD [Democratic Renewal Party] of the candidacy of the former Socialist leader.

Even here, we could ask: Will the Renewal members be convinced that Zenha will be the best candidate?

The answer is no.

On one hand, there are too many Pintasilgo supporters in the PRD for the announcement of Zenha's candidacy to have been received with general enthusiasm.

On the other hand, there is the fact that the party's advisory council (which includes some of the "historical" and most influential names in the Fanist movement, such as Adelino da Palma Carlos, Miguel Caetano, Jose Rabaca and Joao Botequilha) presented their joint resignations after Costa Braz had withdrawn and before Salgado Zenha had become a candidate.

Well, this means that those individuals disagreed over the behavior of the PRD with regard to Costa Braz and they are not now prepared to approve party support for Salgado Zenha.

But if the candidacy of the former PS [Socialist Party] militant rests on a series of uncertainties, is he doomed to defeat?

Can we say that Zenha has already lost?

Obviously, we cannot say this.

Zenha is, at the outset, in the first round, sure to have some votes from the Communist Party and some votes from the PRD, which could be enough to get him to the second round.

What can be said, immediately, is that if Salgado Zenha is elected, he will always be a weak president.

--First, because he cannot hope for major support for his actions as president of the republic from the PRD, which, as recent events have shown, is far from being an organized party with solid structures.

--Second, because he himself would not wish for too much support from the only cohesive force which will back his candidacy: the Portuguese Communist Party [PCP].

So what is left to him?

--The backing of the Portuguese electorate?

Again, no.

The portion of the electorate which will vote for him will not do so with any great conviction.

In fact, most of the voters who decide to vote for Salgado Zenha will not do it for his sake, but out of a disciplined response to the voting instructions of the PRD and PCP leadership.

Reasons For PCP Support

Lisbon EXPRESSO in Portuguese 23 Nov 85 p 3

[Article by Jose Antonio Saraiva]

[Excerpts] Many people are asking themselves why the PCP is going to support Salgado Zenha.

Why is the PCP going to back a candidate who, not too many years ago, led the fight against having a sole union--which the Communists defended as a "life or death" issue?

Why is the PCP going to support a candidate who, in 1975, was one of the principal adversaries of the presence of Communists in the state apparatus?

What leads the PCP to support Zenha--which could have major consequences--that to do with the fact that, for the first time since 25 November, there is a possibility that the Communist Party could defeat the Socialist Party.

Let us see.

Salgado Zenha's candidacy, for which the principal support will come from the PCP and the PRD, represents the most formidable attack to date against the PS.

In fact, if Zenha defeats Soares (which will mean a victory for the PCP-PRD alliance over the Socialist Party), the PS will be in the worst situation ever and will be forced to negotiate with other parties, in an even weaker position, for any eventual return to the arena of power.

Now the question is: If this is the prospect, why did Zenha agree to run?

How can Zenha, who still calls himself a Socialist, be the spearhead for a project that is aimed, in the end, at putting down the Socialist Party?

The reply could be this: Salgado Zenha may think that, once he is elected president of the republic, he will be in a position to sponsor a grand alliance among Socialists, Fanists and even some Communists, with the goal of accomplishing the "historic mission" of the Left: to overthrow the Right.

The problem is that this will be difficult to achieve.

If the PCP and the PRD win the presidential election, they will not be able to pass up the opportunity to reduce the PS to a minor party.

And the fact is that, having been defeated successively in the legislative and presidential elections, the Socialist Party will not have the energy or the trump cards to make any great demands.

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The PS will be left with the choice of one of two alternatives: either to retreat to the solitary position of a defeated party, to wait for better days, or to negotiate with the Eanists (under the watchful eye of the PCP) to join a government in which the PS will always be the minority party.

For all these reasons, the Communist Party supports Salgado Zenha.

The opportunity for which the Communists have waited patiently for many years has finally arrived: the chance to defeat the PS and Dr Mario Soares at one stroke.

Support From PRD Majority

Lisbon O JORNAL in Portuguese 29 Nov - 5 Dec 85 p 7

[Excerpts] At this moment, about two-thirds of the PRD electorate would support the candidacy of Salgado Zenha over that of Lourdes Pintasilgo, O JORNAL has learned from the high official of the Renewal Party, based on surveys conducted by the party's Office of Studies.

The presidential issue was the focal point of the meeting of the PRD National Council last weekend in a Vineiro hotel. Contrary to what came to be rumored, the discussion of support for Zenha was peaceful. Eanes' decision to support the former Socialist leader "was a weighty factor," acknowledged Herminio Martinho, who, as leader of the party, offered a motion before the National Council in support of the former Socialist militant.

Polls of the Office of Studies

Carlos Lilaia is a member of the Directive Commission of the PRD Office of Studies and an official of the Damiao Institute of Gois (the office in support of Eanes, in which the first documents were drafted leading to the creation of a new party, embodied in the PRD). At the request of the Office of Studies, on 16 and 17 November Lilaia conducted a poll regarding the presidential elections. He selected three typical parishes (Pena, Bombarral and Piranhos) and some other atypical ones (Cartaxa, Amora and Oliveira do Sao Mateus, in Famalicao). In general, the survey revealed that, in a second round, Pintasilgo and, particularly, Penha would defeat Freitas do Amaral, who is assured of making it to the second round, no matter who the other candidates may be.

In a first round, the results would be as follows:

Freitas do Amaral, 38.2 percent; Salgado Zenha, 25.4 percent; Mario Soares, 17.2 percent; and Maria de Lourdes Pintasilgo, 19.2 percent.

For the second round, three hypotheses were presented. In the first of these, Freitas do Amaral would receive 49.6 percent of the votes and Maria de Lourdes Pintasilgo would receive 50.4 percent, with 20.1 percent abstentions. In the second hypothesis, Freitas do Amaral would receive 46.3 percent and Salgado Zenha would receive 53.7 percent, with about 17.4 percent abstaining. In

the third hypothesis, Freitas do Amaral would receive 57.9 percent of the vote and Mario Soares would take 42.1 percent; the abstentions would mount to 32.6 percent.

Eanes Support: Serious Error

Lisbon O DIABO in Portuguese 26 Nov 85 p 2

[Excerpt] Francisco Salgado Zenha has been the chosen messiah for the democratic "convergence" of the Communist Party and Gen Ranalho Eanes. On the eve of his departure from Belem and following the resounding but fleeting success of "Operation PRO," the president of the republic has made a serious error in committing himself openly to Salgado Zenha's candidacy, an action that may have been fated, but was still an error.

1. In the first place, the candidate has little to recommend him from the standpoint of civil liberties. Anyone with a memory will recall that, in October 1974, when the Portuguese prisons were overflowing with prisoners whose guilt had never been proved and hundreds of thousands of people were taking to the hills and COPCON [Continental Operations Command] and the exuberant Left were making law, Dr Salgado Zenha was justice minister for good old Brig Gen Vasco Goncalves. Serene and undismayed, Dr Zenha declared, with that delicious Phariseism of the old leftist of good conscience, that in Portugal "there were no political prisoners"--and he set about releasing common [criminals], to add to our tranquility.

2. In the second place, in supporting Zenha, General Eanes not only ceased to be the "mediator" but appeared to be hand in glove with the Communist Party, which is no longer in a position of strength, as it was, for example, in 1980, when Eanes was reelected with PCP votes, but in a position of quasi-parity, because the 15.5 percent of the PCP rounds out the 18 percent from the PRO. The latter, incidentally, may not be willing to go along with him in this.

3. Finally, because Zenha, despite so much solicitude and assistance, might not make it to the second round, considering his lack of charisma and the fact that he does not inspire enthusiasm and seems almost uncomfortable at having taken on the candidacy against Mario Soares and the PS, which has remained loyal to him.

Candidacy Favors PCP Strategy

Lisbon SEMANARIO in Portuguese 23 Nov 85 p 6

[Article by Marcelo Rebelo de Sousa]

[Excerpts] The subconscious has reasons which reason cannot fathom, and Dr Salgado Zenha has decided to run for the presidency of the republic.

This startling presidential candidacy could be viewed in several ways.

Sr Francisco Salgado Zenha is a candidate out of spite, resentment, delayed vengeance.

Dr Salgado Zenha has received the support of the current president of the republic and his wife as a last resort, both as a graceful way out of a hopeless situation and as an assertion of strength following the humiliation inflicted on them with regard to the candidacy of Col Costa Braz.

Dr Francisco Salgado Zenha will obviously be supported by the official organization of the Eanist party, despite the inevitable difficulty in winning over some of the party rank and file and much of its electorate, who are still drawn to Eng Maria de Lourdes Pintasilgo.

Finally, the candidacy of Dr Francisco Salgado Zenha--a politician who never advanced to the status of a man of state--is the complete example of how one can be a candidate without the profile for the office he seeks and how, also in terms of presidential elections, Portugal is looking more and more like a Third World country and less and less like Europe. To top it all off, Zenha could win, as today's poll indicates; less than a week into his campaign, he has twice the votes of Dr Soares and almost the same number as Engineer Pintasilgo.

However, these reflections are much less important than the verification that the PCP has seen Dr Francisco Salgado Zenha as its best presidential bet and Dr Francisco Salgado Zenha has, in fact, become the symbol of the Communist strategy in the Portugal of 1985.

Dr Francisco Salgado Zenha is in fact the instrument by which the PCP could accomplish five great ends:

- 1. To maintain access to power through the presidency, continuing to have a "friend" in Belem Palace;
 - 2. To consolidate the gains achieved in the 6 October elections, and to go on to the third phase: the attempt to oust the newly-installed government;
 - 3. To offset the possible reverses in the area of local government;
 - 4. To divide and permanently weaken the PS;
 - 5. To assume the leadership of the Left and thus to achieve a certain national ascendancy over the Right, which it would like to see go down.
- Above all, not to give up what it owes to Gen Antonio Ramalho Eanes: the access which it had to power through the narrow doors of Belem Palace.

From 1979 to 1985, the PCP was unable to achieve any appreciable success in the legislative elections. In any case, it was always in the position of a party excluded from the government of Portugal and even from exercising any control over it.

During these long 8 years in the desert, the PCP has had an active voice in outstanding political instances only because its demands, its appeals and its ultimatums have been echoed in Belem Palace.

For better or worse, an effective ally of the president in the recent past, the PCP will stand beside him again and give candidate Zenha some hope of victory, which is not impossible.

A "friend" as chief of state is not to be ignored, and the PCP cannot comfortably afford to lose a privileged spokesman, an attentive guardian, a stubborn defender.

Thus the Communists have everything to gain by adding the presidency of the republic to their victories in the 6 October elections.

Prior to 5 October, the Communists were in a "ghetto," a Left which had been shunted aside, in a narrow and discouraging dead end.

Now the Communists are moving about in the parliament with the freedom of the big fellows, with a surprising ubiquity and a confidence which is astonishing.

Today they are no longer that segment of the Left which does not count in the basic decisions.

They are the PCP, plus the MDP/CDE [Portuguese Democratic Movement/Democratic Electoral Commission] and the PRD.

They wholeheartedly support Dr Salgado Zenha.

What if a victory in the presidential elections came to confirm and strengthen the victories in the legislative elections?

It would be the crowning glory for a strategy, the reward for coherence, the celebration of an auspicious "entente" with Belem.

It would also be the overriding advantage offsetting the reverses that the Communists could experience in the local elections.

If abstentionism does not make the task easier for them, they will suffer serious losses in traditional and important municipalities.

What better palliative for the possible pangs of defeat than the presidential campaign of Dr Zenha?

Such reasons would be enough to explain what the PCP thinks of Dr Francisco Salgado's candidacy.

There are two other reasons, however.

One is the division of the PS, a party which is still bleeding after 6 October.

It was defeated in the elections. It suffered an embarrassing defeat. Traumatized by the public affirmation of that defeat. Confused about strategy. Timid about reorganizing its political leadership, a leadership shared by anti-Fanists and former Fanists, divided between anti-Zenhists and former Zenhists.

If Dr Mario Soares goes down in the first round at the hands of his avenging "brother," it will be a difficult cross to bear for the PS, with a leader who is destroyed but who cannot be disowned, a leadership made up of disciples of the defeated chief and disciples of the former party militant who helped to defeat that chief. And what is even more painful, Doctor Zenha's disciples are and will be fighting for Doctor Soares against Zenha, for the honor of a party which they also made, but with anguish in their soul at waging war against the man who had been the best of all of them for years on end.

The former secretariat does not owe Doctor Soares a tenth of what it owes to Doctor Zenha. Nevertheless, it is going to have to go to battle for the haughty leader, against the firm friend.

Such injustices exist everywhere in politics, but the frequency with which they occur in Portugal is further evidence that nothing is as it should be; everything is corrupted.

But, for the PCP, what an ideal climate to destroy the PS, to sap its base of support, to weaken its influence in the political scene!

Without the PS to bar its way, the PCP stands alone and unfettered on the Portuguese Left.

The Far Left is a grimace [as published]. The MDP/CDE is a repentant vassal. The PRD is a sophisticated mask with some touches of naivete.

Dr Salgado Zenha is the ideal instrument for the sweeping strategy of the PCP. The rest is secondary. It is secondary and the PCP is not going to examine all the petty details when something so basic is at stake.

And if Doctor Zenha is not the ideal candidate, not the military candidate--the perfect successor to General Eanes, not the model so much desired and not to be found?

It does not matter. In Portugal, the game of politics is played with Portuguese. If there is no ideal candidate available, go on to the second line, or the third, or even the fourth. Didn't General Eanes set the example, writing Doctor Zenha a brotherly letter which, surely for lack of time, never reached Col Costa Braz?

Thus it is that the PCP must back--and strongly back--the political tool by the name of Dr Francisco Salgado Zenha.

We could end our little chat here, but that would not be fair to the PCP. It would be minimizing the importance of the party with the most intelligent strategy in Portugal.

Doctor Zenha is the PCP's great wager for Belem, but he is a dangerous gamble.

This is not the PCP's fault; it is Doctor Zenha's.

If he loses, he is not the kind of personality who can be put to much use in the future, one who could hold together a resistance movement, one who shows even half the energy and vigor which characterized him in the past.

If he wins, he is the opposite of the type of politician represented by Eanes. Where one was pale, the other is ruddy. Where one was combative, the other is serene. Where one was a firm and serene ally, the other will be imponderable and not easily controlled.

The PCP which pushed Engineer Pintasilgo out the door is pulling Doctor Zenha in by the window. And their most similar trait is neither government experience nor good sense nor serenity.

Well, the PCP will certainly fight hard to put Dr Francisco Zenha in Belem Palace.

--to have a friend in Belem.

--A friend who would be an unpredictable and uncontrollable president in the long run. In the beginning, however, what a victory for the Communists! and what a disaster for Portugal!

MDP Support

Lisbon DIARIO DE NOTICIAS in Portuguese 2 Dec 85 p 2

[Excerpts] The MDP/CDE has, by an overwhelming majority, come out in favor of supporting Dr Salgado Zenha's presidential candidacy, after meetings of the National Council and the National Encounter, held last weekend in Lisbon.

The consensus regarding Salgado Zenha was reached in a meeting chaired by Gilberto Lindim Ramos, with the unanimous approval of all the district delegations in attendance; the only opposition came from four municipal delegations, three of which had no district representation.

In the press conference which followed, Jose Manuel Tengarrinha, president of the MDP/CDE, added that some delegates had previously considered Maria de Lourdes Pintasilgo as the strongest candidate in opposition to the Right, but that, after much thought, they had decided to support Salgado Zenha.

Public Support Rising Rapidly

Lisbon EXPRESSO in Portuguese 23 Nov 85 pp 1, 24

[Text] Although more than 50 percent of the voters in Greater Lisbon felt that Salgado Zenha was not very or not at all convincing in his television appearance on Tuesday, according to an EXPRESSO/Pluritest survey, the candidate supported by Ramalho Eanes is already in second place in the capital, close behind Freitas do Amaral.

The endorsement of Salgado Zenha's candidacy by the president of the republic was considered important or very important by 55 percent of the respondents, whereas 41.1 percent attributed little importance to this factor.

Young people and female voters were more negative about the television performance of the former Socialist Party militant. Among respondents under 35 years of age, only 34.5 percent felt Zenha had the ability to convince the viewers, as against 45.4 percent of the group over 35 years of age. Zenha received the same support from female respondents (39 percent) as from the males, but only 3.2 percent of the females felt he was extremely convincing, and the rest said he was very convincing, whereas 6.1 percent of the male voters in Greater Lisbon found Zenha extremely convincing.

From the table, it may be concluded that the former Socialist party militant has "raided" 26 percent of those who had planned to vote for Lourdes Pintasilgo, has persuaded 26 percent of Mario Soares' supporters to switch candidates, has chipped away 4.6 percent of Freitas do Amaral's support and has won over 60 percent of those who had been leaning toward Angelo Veloso.

From the party standpoint, Salgado Zenha appears to have captured one-third of the Communist Party voters in the Greater Lisbon area, 30 percent of the PRD voters, 22 percent of those who voted for the PS in the 6 October elections and 2 percent of the PSD [Social Democratic Party] voters; the CDS [Social Democratic Center Party] escaped unscathed.

In addition to the contribution of Ramalho Eanes' endorsement in changing voters' intentions, the candidate's own television speech was well received by 59 percent of the APU [United People's Alliance] voters, 56.8 percent of those who voted for the PRD in October, 20 percent of those who had favored the PSD and 28.1 percent of those who had voted for the CDS. Among the Greater Lisbon electorate, the most important characteristic favoring the latest candidate to enter the race for Belem Palace is his sincerity, closely followed by his honesty and competence. His greatest flaws are seen as insecurity, factionalism and incapacity.

Technical Note

This survey was conducted among the population in the Greater Lisbon area. The sample consisted of 350 personal and direct interviews. The respondents were selected by sex, age and residential zones. The field work was conducted on 21 November. The margin of error for this survey is plus or minus 5 percent, with a confidence interval of 95 percent. EXPRESSO is responsible for the interpretation of the results. About 1,100 contacts were made, resulting in 350 usable interviews.

Table: Results of a Poll of Voter Preferences in the Greater Lisbon Area (percent)

<u>Time Factor</u>	<u>Presidential Candidates</u>							<u>Total</u>
	<u>Freitas do Amaral</u>	<u>Mario Soares</u>	<u>Pinta-silgo</u>	<u>Salgado Zenha</u>	<u>Angelo Veloso</u>	<u>Others</u>	<u>No Response</u>	
Before Zenha Interview	24.8	10.9	24.6	-	2.9	5.7	31.1	100
After Zenha Interview	23.7	8.9	18.0	19.4	1.1	4.0	24.9	100

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MILITARY

FEDERAL REPUBLIC OF GERMANY

BUDGET CUTS TRIM TORNADO PROCUREMENT, TURKISH TANK DEAL

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 23 Nov 85 p 4

[Article by fy.: "Defense Expenditures' Share in Budget Drops Slightly. Cuts by Budget Committee / The 'Deal' with Turkey"]

[Text] Bonn, 22 November--In the coming week, during second and third readings, the Bundestag will decide on the budget for next year. The budget of the Ministry of Defense is again second in size to that of the Minister for Labor. Parliament's intention is that, with DM 49.91 billion, it will again be just under the DM 50 billion limit; in its deliberations in committee, parliament cut just under DM 400 million from the defense budget submitted by the government. This is less than 1 percent of the national budget, but it does hold a political message. Originally the defense budget was to have increased by DM 1.3 billion, or 2.6 percent; that is a little more than the overall budget, which was to increase by 2.4 percent. Now the nominal growth of the defense budget of 1.8 percent is not even sufficient to make up for next year's inflation rate. No one has been talking about a real growth of 3 percent for a long time. The share of the defense budget in the national budget will be near 18.9 percent next year as well; judged by the gross national product, it will drop slightly, from 2.7 to 2.6 percent.

The Ministry of Defense is taking with equanimity the fact that members of parliament in the budget committee cut back drastically again. The cuts can be managed. The largest cuts were made under the title from which the "Tornado" is supplied. Here 185 million were cut from the planned DM 2.785 billion. The title from which munitions procurement is funded--not quite DM 2 billion--was reduced by DM 70 million; a further 35 million were taken out of the development title, with the remainder being distributed among a multitude of budget items; judged by the extent of the defense expenditures, these are mostly "piddling amounts."

The share of investment expenditures in the budget will fall next year by 0.5 percent to 34.6 percent or DM 17.26 billion. Only the expenditures for research and development will again rise by 3.2 percent; those for military installations, particularly for the NATO infrastructure, will also rise, by 12.1 percent. Military procurement, which at DM 12 billion is the largest single item, will drop by 1.6 percent; "other investments" drop by 41.2 percent. On the other hand, operating expenditures increase by 3.1 percent to

DM 32.64 billion. The biggest share is eaten up by personnel expenditures,, which call for DM 20.9 billion, or 41.9 percent of the entire appropriation. The DM 619 million available additionally for this is necessary to allow the Federal Armed Forces to maintain their personnel level somewhat longer, despite a falling birth rate. Therefore, the number of volunteers serving a longer time must increase. Money is also required for the rejuvenation of the Federal Armed Forces, that is, the voluntary "early retirement" of career officers. In 1986, the first 350 of 1,200 officers in all will retire from the service early; this will cost DM 19 million.

A number of details are of interest. For instance, procurement plans of the military services are taken into account in different ways in the new budget. The navy is best off with its two additional escort destroyers of the "F 122" design. This project is virtually settled. Further funds are provided for five on-board helicopters, as well as for naval equipment. The procurement draft for the budget and defense committees is at present in the final phase of settlement between the defense and finance ministries, and is expected to reach the committee soon.

The air force was less successful. Funds for 40 additional Tornado aircraft, costing DM 3.6 billion altogether, are tailored to the financial planning of the Ministry of Defense. An expenditure of DM 200 million is initially provided for their procurement in the budget for 1986. This amount is part of the DM 2.9 billion which are to be spent altogether for procurement of the Tornados in 1986. The procurement draft for this project as well is in an advanced stage. However, there is as yet no sign of any meeting of the minds between the defense and finance ministries. The disagreement is about ten aircraft (right away, DM 900 million). The Ministry of Finance demands that the air force be satisfied with 30 Tornados. The latter, on the other hand, can prove with its demand analyses that it needs at least 40. The Ministry of Finance has fiscally convincing reasons for this stinginess. It wants above all to assure the return flow of credits that the Federal Republic has earned vis a vis the British within the trilateral production of Tornados. These amount to DM 700 million. By producing 30 additional aircraft the British can work off credits corresponding to this amount of money.

There also is a further reason, but it is one that is not being spoken of openly at this time. It concerns a curious compensatory deal with Turkey. During his visit to Ankara, Federal Chancellor Kohl, who wanted to obtain a commitment from the Turkish Government not to claim free movement within the European Community--to which the Turks have a right after 1 January 1987--was confronted with a request for "Leopard" tanks. Since Turkey lacks the money for their purchase, this can only involve deliveries free of charge. From what one hears, Kohl is supposed to have been asked for equipment for one armored division (with a value of more than DM 3 billion), which is considered to be out of the question. On the other hand, there is supposed to be a chance for the supply of Leopard tanks for two armored brigades. Finance Minister Stoltenberg did not up to now want to make additional funds available. The Defense Ministry's concern that ultimately it will not only have to deliver 150 Leopard tanks from its stocks but will also have to pay for converting these vehicles to Turkish conditions is not entirely unfounded. The

discussions in the budget committee resulted in an obligation authorization of DM 900 million being included in the tank title; this, however, can only be used after release by parliament. This amount corresponds exactly to the sum which is considered to be of a realistic magnitude if a "deal with the Turks" is to come about. Is it a coincidence that the Ministry of Finance wants to produce DM 900 million worth of Tornados less than justified in the financing of the Ministry of Defense, or better, the air force?

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MILITARY

FEDERAL REPUBLIC OF GERMANY

EARLY SENIOR OFFICER RETIREMENTS EASE CAREER BOTTLENECKS

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 26 Nov 85 p 7

[Article by fy.: "The First Officers Are Retiring from the Service"]

[Text] Bonn, 25 November--Over 4 months from now, on 31 March of the coming year, 175 career officers will leave the service; they are the first to take advantage of the possibility of voluntary early retirement from the Federal Armed Forces created by the personnel structure law. An additional 175 will follow on 30 September. This will totally fill the quota of 350 officers who can retire next year under the law. These retirements will make possible a total of 1,900 transfers within the officer corps, as announced on Monday in Bonn by the State Secretary in the Federal Ministry of Defense, Ermisch, and the chief of the personnel department, Lieutenant General Fanslau.

The number of early retirement applications considerably exceed the annual quota of 350. Altogether, 919 officers--mostly staff officers--applied. Most of the applicants hold the rank of lieutenant colonel or, if they are in the navy, of commander. This rank is held by 700 of the applicants, and therefore by a majority of these officers whose applications were approved--279. Of the [remaining] early retiree career officers, 43 hold the rank of colonel or captain (navy), 23 are majors or lieutenant commanders, and 4 are captains (or navy lieutenants). Particularly appreciated by the Ministry of Defense is the fact that 93 percent of all applications were made by officers who work in subordinate areas, that is, not in the ministry itself.

Rejuvenating Effect

The large number of applicants enabled the personnel department to select those officers whose early retirement would--as the law seeks to accomplish--have the maximum rejuvenating effect on the commander corps of the Federal Armed Forces. The higher the retiring officer's rank, the greater the rejuvenating effect, because it affects the number of transfers resulting from his retirement. In administrative jargon, they say that the level of employment of a retiring officer determines the number of "employment moves." The fact that a majority of the 350 retiring officers hold the rank of lieutenant colonel or colonel makes possible 1,900 personnel shifts, i.e., transfers, in all; 650 of these are combat-essential positions which can only be held in certain age ranges, that is, principally company and battalion commanders.

MILITARY

FEDERAL REPUBLIC OF GERMANY

CONSCRIPTION CHANGES SEEN AS THREAT TO CIVIL DEFENSE, POLICE

Frankfurt/Main FRANKFURTER ALLGEMEINE ZEITUNG in German 29 Nov 85 p 3

[Article by fy.: "Even Those Laender with a Union Coalition Majority Are Against the Projected Extension of the Period of Military Service. What Will Become of Disaster Control and the Police?"]

[Text] Bonn, 28 November--The Federal Government will have to be prepared for opposition from the Laender over passage of the law extending the period of military service and its accompanying laws. As shown by discussion of the proposed law in the Bundesrat before its first reading, this opposition is not limited to Laender with an SPD majority. The Bavarian State Government has made clear its opposition to the reduction of exemptions from military service for the police and civil defense which the Federal Government intends to make. However, Rhineland-Palatinate and Lower Saxony have also raised objections. Rhineland-Palatinate wants to create an opportunity for persons liable for military service to complete their service in installments, if completion of 18 months' basic military service would cause them an appreciable delay in beginning their studies. Lower Saxony wants to make it possible for students of medicine and veterinary medicine to decide, even upon completion of their 22d year, to work for 10 years in civil defense. Without such a regulation, the Lower Saxony Government fears that it will not find sufficient physicians and veterinarians for its civil defense.

This shows that different values are placed within the Union coalition on the consequences of extending basic military service to 18 months. The Federal Government, and particularly the Ministry of Defense, holds a "moderate" point of view intermediate between measures the CDU leadership considers necessary to restore equity in conscription and those proposed by the Laender controlled by the Union such as Bavaria, designed to avoid this. The central question is exemption from military service. Under the present regulation, all young persons who have volunteered for the police are exempted from military service. In addition, up to 17,000 young men per year can avoid universal military service by obligating themselves to serve in civil defense and disaster control. The Union party considers this exemption to be a violation of equity in conscription. Therefore, the CDU leadership has agreed to be for doing away with all exemptions.

In the draft law of the Ministry of Defense, however, this is not planned. To ease the shortage of draftees, the ministry merely reduces the quota for civil defense and disaster control from 17,000 to 10,000 per year. Officially, the Ministry of Defense and the Federal Government gives no explanation as to why they are content with a reduction. Internally, however, it is known that the real reason and intent is to avoid a controversy with the Laender and their ministers of the interior, who do not want to change the present exemptions because they are worried about the existence--or at least the capability--of the civil defense and disaster control organizations under their control. The Bundesrat is therefore against any reduction of exemption possibilities and is of the view that, should police officials have to do military service, the maintenance of law and order would become questionable. For disaster control and civil defense, this would result in making civil defense impossible. On the other hand, the Bundesrat did not ask itself what the consequences of maintaining the exemptions would be for the Federal Armed Forces.

Fifty Thousand High School Graduates a Year to the Federal Armed Forces

The Ministry of Defense also has doubts about Rhineland-Palatinate's proposal. Up to now, the possibility of completing basic military service in installments has been limited to those in agriculture, so as not to prejudice the existence of small farms. The requested extension of this possibility to students is intended to prevent the 3 months' extension of universal military service from causing individuals delays of up to a year in starting their studies. This happens when studies are scheduled to begin only once a year, and that occurs only a short time before the end of universal military service. Sources in the ministry point out that 50,000 high school graduates a year are drafted into the Federal Armed Forces, and that it would cause great difficulties for those forces and their operational readiness if even a part of these 50,000 men were to complete their service in installments, possibly distributed over several vacation periods. The peacetime presence would thus be considerably impaired. The counterproposal, that the beginning of studies be arranged so as to take military service schedules into account, was objected to in the Bundesrat because it would put high school graduates who do not have to perform military service at a disadvantage.

In view of these objections to the proposed law, the fundamental disapproval of the Laender with an SPD majority is almost pushed into the background. They justify their attitude with the view that the planned measures are not suited to cover the personnel requirements for a peacetime level of 495,000 men, but, on the contrary, will bring about unreasonable cost increases and a burden on the capability of the Federal Armed Forces and the police, as well as civil defense and disaster control. Moreover, the problems created for the Federal Armed Forces by the declining birth rate cannot be solved by these measures, but are only put off by a few years. Laender with an SPD majority think that a solution can only be found by reconsidering the relation of the actual strength and the reservists' share, which can mean nothing other than that the size of the Federal Armed Forces should be reduced. All this is in spite of the fact that--according to factually undisputed assessments by the Federal Armed Forces Command--the commitments which the Federal Republic has entered into with NATO can no longer be met if the peacetime operational readiness level drops below 472,000 men.

MILITARY

FEDERAL REPUBLIC OF GERMANY

COMBAT EFFECTIVENESS UPGRADING EXTENDS LIFE OF F-4F INTO 90'S

Bonn WEHRTECHNIK in German Oct 85 pp 26-30

[Article by Georg Meyer: "The F-4F Combat Effectiveness Upgrading Program"]

[Text] In the September issue of WEHRTECHNIK the chief of staff of the Luftwaffe, Lieutenant General Eberhard Eimler, gave his ideas on the combat effectiveness upgrading of defense materiel. He used the combat effectiveness upgrading measures for the ALPHA JET as an example. Another flying weapon system to be upgraded in the next few years is the F-4F PHANTOM fighter/fighter-bomber. In the following article the system project officer for this combat effectiveness upgrading, Colonel Georg Meyer of the general staff, describes the rationale for still another upgrading of this aircraft. In addition, he describes the modifications proposed to keep the PHANTOM in service beyond the year 2000.

There are many reasons why the future fighter of the German Luftwaffe, the JF-90, is the focal point of much public interest. First there are the political birth pangs, which within the European framework will certainly drag on for some time, if precedent is any indication; then there are the technological innovations being designed into this aircraft (only the best will be good enough); and finally, there is the enormous need for financing, which on the one hand will make it difficult for the Luftwaffe to introduce new weapon systems for a number of years, but which on the other hand will give the German aerospace industry an opportunity to share an enormous piece of pie.

Less spectacular air force programs, such as those concerned with combat effectiveness upgrading of existing weapon systems, obviously attract a lot less attention. Many observers, whose judgment is influenced by their respective spheres of interest, believe that some hopelessly obsolete vehicles are being more or less justifiably upgraded to extend their service life yet another few years, pending the arrival of the new, perfect, superior and unbeatable weapon system which in effect is needed today. These critics go on to state that military personnel are not at all satisfied with combat effectiveness upgrading programs. In general, they would recommend that old weapon systems not be tinkered with by investing the skimpy available funds in programs which would be totally inadequate for meeting the continuously increasing threat. As some of these witty critics put it, you can't teach

an old horse new tricks. And, they say, all these arguments are particularly applicable to the upgrading program which is the farthest advanced: that of the F-4F. All that is nonsense:

- The service life of the F-4F airframe is so long that the aircraft, with a few structural changes, can be operational for at least another 15 years.
- Equipped with the most advanced new sensors representing the state of the art of the Western electronics industry, the F-4F will be capable of delivering the most advanced munitions to the target with extreme accuracy, in aerial battles as well as in operations against ground targets.
- The great reliability and low maintenance requirements of the new F-4F components will permit significantly more economical and personnel-saving logistical concepts and thus bring about a considerably greater availability of the weapon system.
- The flying personnel of the F-4F units, who would be affected by delays and planning errors already in peacetime and all the more in a crisis, will feel (and this psychological factor should not be underestimated) that in view of a continuously existing threat the air force leadership is making every effort to provide its personnel with the equipment which it needs to be able to fulfill its mission at all times.

The Luftwaffe F-4F Program.

There is no doubt that the McDonnell F-4 PHANTOM II is one of the most successful combat aircraft programs in military aviation history. Within about two decades--the first F-4 flew already in 1958--more than 5,500 aircraft of that type were built in many variants. At least 3,000 F-4s are probably still in the active inventory in the air forces of many nations.

In 1971 the Luftwaffe decided to procure 175 F-4Fs to equip two fighter- and two fighter-bomber wings. Shortly after their introduction it became obvious that within a few years the weapon system would have to be adapted to the growing threat by technical modification.

For this reason, the Luftwaffe initiated in 1976 a program for the adaptation of the F-4F to modern conventional weapons. The main elements of the modification were the installation of a digital weapon computer and the replacement of the radar scopes by a cockpit TV screen. This has made it possible to calculate the firing data for the infrared AIM-9L SIDEWINDER guided missile, the fixed gun and the air-to-ground munition and to fire the weapons automatically. In addition, the F-4F is now capable of using electro-optically guided munitions, such as the MAVERICK.

The "F-4F Weapon Adaptation Program" terminated in 1984; all Luftwaffe F-4Fs have been modified.

Since then the wings have accumulated experience with the modified aircraft:

- In air-to-air operation, the weapon system has considerably greater performance.
- There is no problem with using the MAVERICK. The Luftwaffe has procured a first group of MAVERICK AGM-65 Bs; procurement of a second group of that type has been initiated. In addition, the Luftwaffe has initiated a program for the introduction of the infrared-guided MAVERICK AGM-65D. This weapon can also be fired from the F-4F without additional modification.
- A few problems have been observed in air-to-ground operations, caused by deficiencies in radar, inertial navigation instrumentation and flight data computers.

F-4F performance at the present time, i.e., after termination of the weapon adaptation program and prior to the implementation of the combat effectiveness upgrading program can be described as follows:

- The weapon system is still approximately the equal in performance of Warsaw Pact fighters and fighter-bombers. However, compared with the new generation Soviet aircraft which may still be introduced during the 1980s, the F-4F will be inferior.
- The range of the APQ-120 on-board radar for finding and tracking targets at medium and high altitudes and in an environment free from electronic interference are still adequate. However, the instrument is incapable of wide-ranging search and recognition of low-flying targets, which disappear in ground clutter. It can lock on to only one target at a time, is vulnerable to electronic interference and has no target identification capability.
- For fighter operations, the F-4 F is equipped with the M-61 20 mm gun and with the AIM-9L guided missile. With this armament targets can be effectively attacked only at short range and in VFR. With existing avionics in the F-4F and with present armament (which is how the weapon system must be evaluated) there can no longer be any guarantee for the medium term that the mission in all operational modes can be entirely fulfilled.

The Luftwaffe has therefore found itself forced to initiate a combat effectiveness upgrading program for the F-4F. The "Tactical Requirement" of October 1983 served as its starting gun.

At the same time, an agreement was concluded with the United States, Great Britain and France on joint development and production of a new generation of air-to-air guided missiles:

- The project Advanced Short Range Air-to-Air Missile (ASRAAM) is already in the definition phase. In the meantime, Norway has joined the German-British development program and other states have shown interest.

· For the new radar-guided Advanced Medium Range Air-to-Air Missile (AMRAAM), the German sector must still complete some concept-phase tasks, concerning, among others, test and control instruments. Despite the fact that the USAF is presently experiencing considerable technical and financial difficulties with AMRAAM development, the Luftwaffe is optimistic that the program will proceed in a timely and financially feasible fashion.

The Need for Combat Effectiveness Upgrading of the F-4F

Inasmuch as the JF-90 will not be introduced in the Luftwaffe until 1997 and full replacement in the wings may go on until 2004, there is increasing evidence for the necessity for maintaining the F-4F in service beyond the year 2000 in Luftwaffe planning.

In this connection it will be mandatory to:

- Improve the navigation and fire control system and
- Integrate an all-weather medium range guided missile, so as to upgrade performance within an entire operational spectrum.

It will therefore be necessary to correct the deficiencies of the weapon system through measures which will permit conducting defensive operations in the air:

- From the largest possible distance;
- From all directions;
- In all weather conditions;
- From a higher altitude and beyond the range of enemy counterfire.

They should further permit engaging a numerically superior enemy and to break away after firing the missiles so as to avoid being hit by counterfire.

In its offensive air operations, the weapon system should be capable of engaging targets with unguided or end-phase guided conventional munition with improved hit accuracy.

For air defense operation, the F-4F weapon system must achieve the following capabilities:

- Target discrimination in high target density and targets at very low altitude;
- Capability of engaging several targets simultaneously;
- Greater range of fire;

- Target identification immune to interference;
- Ability to overcome electronic jamming.

In more modern fighter aircraft of other NATO air forces these improvements have already been implemented, at least partially. The new medium range air-to-air guided missiles will become operational in the medium term, i.e., toward the end of this decade.

Decisive factors for mission accomplishment in air-to-ground operations are the following: penetration capability, navigation accuracy, target perception and identification, type of weapon and accurate weapon delivery. The combat effectiveness upgrading program will therefore provide for the F-4F in offensive operation appropriate sensor modifications.

These requirements of the Luftwaffe are completely satisfied by the following measures:

- Installation of the latest model pulse doppler radar which is capable of fully supporting the performance capability of the AMRAAM to be integrated;
- Replacement of the inertial navigation system and the flight data computer;
- Installation of an active IFF.

Decisionmaking in Concept Phase

As early as the preliminary phase, and in greater detail in the concept phase, the Luftwaffe has evaluated a number of radar systems from the United States, France, Sweden and the UK as candidates for combat effectiveness upgrading of the F-4F.

It was found that for many reasons most devices were unsuitable. The primary factors for this were the tactical and logistical requirements, but also their state of the art status and their growth potential for later adaptation to the JF-90--and, of course, the cost.

The final selection of the concept was an arduous and complex process which took place in close cooperation between the Luftwaffe, the defense ministry's materiel office, and industry.

At present, the program is in the definition phase. The following separate decisions have been made to date:

- For reasons of cost, only the two fighter wings will be equipped with new radar systems. However, the possibility of re-equipping the fighter-bomber wings is being kept open;
- The Hughes APG-65 was selected as the most suitable radar system. Deciding factors in this choice were particularly the cost/performance ratio, the possibility of subsequent production in the FRG and the growth potential, which is most evident in this system:

- The new inertial navigation system, which is to have a laser gyro sensor, will be developed by Honeywell/Germany;
- GEC Avionics will furnish the flight data computer;
- AMRAAM operations will require an additional mission computer to extend the computer capacity of the fire control system. This device will probably be developed by LITEF.
- An active IFF device will probably be installed in only those F-4Fs which have a new radar also. The Siemens LSR-2000 will fill this need;
- The Frazer-Nash firm has been selected to develop the AMRAAM launcher.
- All adaptation and integration tasks will be conducted by MBB under the general contractor principle.

Time Schedules, Cost

The definition phase of the F-4F combat effectiveness upgrading program will be fully completed in December 1985. This will bring about the planned start of the development phase.

The time schedule makes certain that the modification of the aircraft can start toward the end of 1990. If, as planned, only half the aircraft will be equipped with the APG-65 radar, this will take barely 2 years. This means that the upgraded F-4Fs will have a remaining service life of an average of 9 to 11 years until they must be replaced.

The cost of the "F-4F Weapon Adaptation Program" used to run at approximately 10 percent of the F-4F procurement costs. Such a low figure will of course be inadequate for implementing the considerably more complex combat effectiveness upgrading program. It is estimated that overall an average of DM 8 million per aircraft will have to be spent, inclusive of development and procurement costs. In view of performance improvements and in comparison with similar USAF programs this is doubtless a justifiable expense.

Combat-Efficiency-Upgraded F-4F: a "Super-PHANTOM?"

Despite the fact that essentially only fully developed devices will be integrated into the aircraft, the F-4F combat effectiveness upgrading program is not entirely without its technological problems. The participating firms will no doubt accumulate a mass of new experience which will benefit them in other programs.

Nevertheless, the technological, time phase and financial risks are readily visible. Some of the new components to be integrated have already been tested in other weapon systems. This is particularly true of the principal item of the program, the APG-65 radar, which has been used in the U.S. Navy's F-18 for several years with good results.

The system firm MBB had already participated in the construction of important components of the new F-4F; it has to date maintained and repaired more than 1,100 F-4Fs and RF-4Es as part of a technological and logistical maintenance contract; it has completed the F-4F weapons adaptation program on schedule. It can therefore be expected that the firm will also complete the new program (which must by no means be considered a rival of the JF-90) to the full satisfaction of the Luftwaffe.

Under the combat effectiveness upgrading program, the Luftwaffe's F-4F will be equipped with the most modern technical components in a way which will enable it to meet any threat pending the introduction of the JF-90. However, it would be a dangerous misconception to think that the aircraft with its expensive new avionics and its improved weaponry would be superior to the expected combat aircraft of a potential adversary: the F-4F will for many years remain a good and useful aircraft--but it will not turn into a "Super-PHANTOM."

[Photo Captions]

p 36, top: The F-4F PHANTOM will have to remain in service until the introduction of the Fighter 90 at the end of the 1990s or the start of the next century--it is to be adapted to the threat by undergoing combat effectiveness upgrading.

p 36, bottom: The Hughes Aircraft AN/APG-65 Radar has been selected for F-4F combat effectiveness upgrading. This high-performance radar is currently flying in the F-18.

p 27: Photo montage of a combat-effectiveness-upgraded F-4F PHANTOM with four AMRAAM radar-guided air-to-air missiles.

Chart, p 29: The new components to be used in F-4F combat effectiveness upgrading.

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MILITARY

FEDERAL REPUBLIC OF GERMANY

ARMY'S EVOLVING NBC DOCTRINE, CAPABILITIES DESCRIBED

Bonn WEHRTECHNIK in German Oct 85 pp 58-70

[Article by Franz Steinhoff: "NBC Defense Force--Welcome on the Battlefield!"
"A Branch of Service Modifies its Mission"]

[Text] NBC defense as combat support must be oriented to the requirements of the combat forces. Forward defense demands forward support. The NBC defense force as a support element of the NBC defense in the German army in recent years had to measure its concept against these requirements. Hereby new equipment made possible new operational principles. Maj Frank Steinhoff, staff officer for NBC defense in the ATV (analysis, operational tests, regulations) special staff of the NBC and Self-protection School, experienced in his daily work as regulations officer the change in concept of his branch of service. He describes it, its background, and implications. The change in concept has an intensive effect in the fields of training and command. It influences the complexity of simulation systems. But it makes also possible vistas of possible technical developments, so that the NBC defense force remains up to meeting the growing demands of the future by further increase in performance.

The Conceptional Environment of NBC Defense

The headline "NBC Defense Force--Welcome on the Battlefield" is a quotation. The words were actually so uttered at the 1984 Commanders Conference of the Combat Forces. It is not possible to describe more concisely the role assigned to the NBC defense force and with which it is to fulfill its mission in the next decade.

Understanding of the principles of commitment of individual branches of service lies in the knowledge of the total concept of forward support. This knowledge may be taken for granted here.

According to the concept of forward defense, the major formations of the German army will be ready for defense very quickly in a national defense emergency

since the massive attack to be expected requires the massive presence of the defense forces. The decision on success or failure of a successful defense will occur in the first days or hours of combat. The main burden undoubtedly lies on the shoulders of the combat forces. It follows from this fact that, in this time of maximum stress and losses, the combat support forces must also be capable of an optimum of performance. In the deployment phase they must be as quick as the combat forces and from the start of the combat must be able to fully provide their support far forward.

The NBC defense force is a combat support force.

Threat by NBC Weapons

Critical voices ask whether the use of NBC weapons is at all probable in the situation described above, whether the generally recognized conventional strength of the potential enemy does not obviate the need for such use from the latter's point of view, whether not only a crisis situation at a later time conjures up such a danger. The answer to this question justifies the presence of the NBC defense force far forward and at an early time.

Not too long ago, the Soviet Union asked for renunciation of the first use of nuclear weapons. It can do so easily on account of its conventional strength. NATO is in another position here. It can be forced by superior pressure and in expectation of reinforcements to employ nuclear weapons to a limited extent in the depth of the enemy area. Enemy attacks with chemical agents may also trigger the use of nuclear weapons by NATO to make clear the defense readiness and to warn against further attacks. NATO might also have to make this decision under the risk of nuclear counterstrikes. The Bundeswehr must be prepared for that.

As regards considerations for the use of bacteriological and toxin weapons, the 1972 agreement on this subject concerning the ban on the development, production and storage, which the Soviet Union ratified in 1975, is recalled. Indeed the use of biological agents for various reasons was difficult for the user a decade ago. Regrettably that is different today. Research in this field was not stopped despite valid treaties. To the surprise of all who believed that research had stopped, the revealing chemical agent accident of Sverdlovsk occurred in 1979.

Thoroughgoing investigations provided the finding that the Soviet Union meanwhile has developed highly potent toxins and that e.g., success had been achieved in reducing the incubation time of the botulinum toxin to less than 30 minutes. Thus the possibility has been created also in this field, in connection with improved delivery techniques, to make suitable battlefield weapons available. Why should a state use manpower and funds for a research field without at least thinking of the possibility to also make use of the results?

The most marked threat in the field of NBC weapons comes from the chemical agents. The structure of the Warsaw Pact armed forces, their training organization and their literature make plain the importance attributed to the

use of chemical weapons on the battlefield. The stock of chemical weapons carried by these forces is described as considerable by experts. Even though the generally recognized Geneva Protocol of 17 June 1925 prohibits the use of chemical agents, the Soviet Union now designates chemical agents, different from NATO, openly as conventional weapons. Their use is planned predominantly on a tactical level and offensively. The Politburo issues the release, carrying out the use can be delegated to the division level.

Let us recall what was said in the beginning. The possibility cannot be excluded that after the decision in favor of aggression, every available agent that promises success will be employed from the start. The German army must be prepared for that.

NBC Defense in the German Army

It is the purpose of the NBC defense to minimize the consequence of attacks with NBC agents. Prior to and after attacks by the enemy, forces not yet affected are to be warned against the attacks themselves and their consequences.

The armed forces are to be enabled to continue their mission under NBC protection for a limited time even after attacks with NBC agents without significant reduction of their combat effectiveness. As soon as the situation permits it, the NBC defense is to help eliminate the consequences of NBC attacks that restrict combat effectiveness. In the army, the NBC defense that is to accomplish this task rests on two pillars: the NBC defense of all troops and the NBC defense force. In addition there is the medical NBC protection covering all military services, which constitutes a separate complex field and is not to be considered here in detail.

The NBC defense of all troops consists of several complementary components of which first of all the individual protection of the soldier and the collective protection of weapons systems are to be mentioned. The term passive NBC protection is to be associated with this part, whereby it should be noted that its successful handling also requires active training.

Starting in the elements, the organization of active NBC defense of all troops runs through the structure of the army up to the major formations. Their task is NBC reconnaissance and decontamination which are handled for the most part as secondary functions.

Soldiers trained with special intensity in NBC defense, combined into NBC defense teams and TEP teams (troop E site detachments, whereby "E" stands for radioactive decontamination, detoxification and disinfection, the latter mainly at formation and major formation level) to a limited extent meet the immediate demand for active NBC defense capacity. The most important equipment in the NBC reconnaissance of the NBC defense of all troops are the radiation detector radiacmeter and the radioactive contamination meter (SVG) and the alarm device for nerve agents. For purposes of decontamination, the TEP vehicle is available as a key piece of equipment. The fields of the NBC reporting and warning service (ABC-MWD), which are assigned to the unit or formation level, are part of the active NBC defense.

The forces of the NBC defense of all troops will not be sufficient in case of a massive use by the enemy of NBC agents characterized by massed concentration. That is where the spectrum of tasks of the NBC defense force begins.

The NBC Defense Force

The assignment of duties for the NBC defense force in the overall framework of NBC defense follows from what has been said above. It must support the NBC defense of all troops quantitatively and qualitatively wherever the latter forces are insufficient. The NBC defense force must be deployed far up front and must be present early, but in doing so must not lose the capability to push additional forces forward and to quickly form a point of concentration in the NBC defense.

What does a meaningful organization for this mission look like?

Field Army

Every division has a NBC defense company. Its platoons cover the two key duties of NBC reconnaissance and decontamination. Principles of employment, equipment and training enable these companies to be used if necessary as elements. Platoons or even squads can be assigned to brigades/formations for a specific mission and a limited time. Of course, on the other hand, use of the platoons together under the command of the company is planned.

If the forces of the NBC defense force of a division are insufficient because, e.g., parts of its NBC defense company had to be used to support the brigades and because the NBC defense force is needed in the rear division area, this additional demand can be met from the corps battalions. Each corps possesses such a battalion with four companies each, which are led and supplied by a headquarters and supply company. One or in exceptional cases also several of these companies can be subordinated to a division in which a main effort in NBC defense is expected or has occurred. In peacetime the companies are structured each for specific functions and, for reasons of more effective training and material maintenance, are organized by their functions into a NBC reconnaissance company and three NBC defense companies (for decontamination). In case of a national defense emergency, very quickly NBC defense companies are created by mutual subordination of platoons, NBC defense companies which, just like division companies, possess both components, those of NBC reconnaissance and those of decontamination.

Territorial Army

In addition to the NBC defense force, troops allocated to the major formations assigned to NATO, the territorial army, too, possesses NBC defense troops. In the military districts there are NBC defense battalions; in many home defense brigades, an NBC defense company. The forces of the territorial army must not be viewed separately from those of the field army since they partially interlock or overlap in the same geographical area. However, the main task of the NBC defense troops of the territorial army lies more in the support of command and logistics facilities of all military services to the rear of the corps as well as in support of units of allied armed forces as part of the "wartime host nation support (WHNS)". The differences in the key tasks are taken into account in the equipment.

But this system of complementing NBC defense tasks in a possible theater of war, which was taken into account by organization and allocation of forces, also requires operational consideration in terms of time. As initially shown, in case of a national defense emergency, the field divisions and their brigades will be ready for defense very quickly in their areas of deployment, behind them and after them the headquarters and supply structure of the corps will be combined with command posts, troops and installations into a big operational unit. The territorial army, which is especially heavily dependent on preparations for mobilization, will follow later on.

The limited personnel strength of the NBC defense force as regards cadres of the NBC defense forces in peacetime must yield to this growth rhythm. NBC defense companies of the divisions have hardly any cadres during peacetime, corps battalions up to the limit that makes possible meaningful training on unit level in NBC reconnaissance, NBC defense battalions of the territorial army almost completely.

Aside from NBC reconnaissance and decontamination, the NBC defense force is also enlisted for smoke delivery, water purification and firefighting. If no tasks are to be fulfilled in NBC defense, suitable components can be used for performance of security duties. The use of NBC inspection points is planned in the rear corps areas. Two of these facilities are ready for use even now. Outside the NBC defense battalions and the independent NBC defense companies, officers of the NBC defense force are active in the headquarters of major formations who, with support of the NBC signal centers/signal points (AMZ/AMS) assigned to them, offer decision-making assistance to their troop commander in the field of NBC defense. Here the lines of the NBC defense of all troops and NBC defense force come together again, measures of both areas are coordinated, degree, place and priority of mutual support in line with the planned conduct of operations are settled.

Starting from the above-presented general description of duties of the NBC defense force, its specific tasks are now to be considered in the following:

The NBC Reporting and Warning Service (MWD) and NBC Reconnaissance

First, on the work in the NBC reporting centers (AMZ/AMS) of the major formations: Primary information is received by the AMZ/AMS from direct observation of the combat happenings. This information is provided by the part of the NBC reporting and warning service which is placed in the lower command levels and--as already mentioned--is part of the NBC defense of all troops. The incoming information is screened and collected in the AMZ/AMS, then further analyzed. The aim of the analysis is first of all the theoretical prediction of the consequences of attacks with NBC agents on our own forces. The AMZ/AMS has a programmable pocket computer at its disposal which so processes observation data with its powerful software that the results can be used for the warning of affected forces or those endangered at a later time and as a decision-making aid for the force commander. Essentially these warning and decision-making aids contain predictions on terrain in which chemical agents or radioactive fallout are present or will be present before long. This information is made available very quickly by computer-assisted data processing. But they are still imprecise in their formulation because imprecise observation data, transmission errors or quick changes in the weather influence the precision

of the statement. Therefore the predictions must be supplemented. Here the carefully directed NBC reconnaissance helps. Carefully directed means in this connection that the NBC reconnaissance forces are issued missions that are related to the area or in relation to the forces to be supported to verify the threat in the predicted areas. A lesser part of these tasks again can be covered by the NBC defense of all troops in their own or a neighboring area. However, for the overall survey the forces of the NBC defense force are needed. Only with them does the force commander have an instrument at his disposal with which he can influence the two variables of the NBC reconnaissance, accuracy of the information and speed of obtaining it depending upon the situation-related importance at least in the case of radioactive contaminations (fallout and NIGA area). Frequently there is an unfavorably long time gap for decisions between the rapidly made predictions and the test readings then really determined. That applies especially to the verification of large fallout areas. The rapidly proceeding combat necessitates quick decisions which must be based on quick decision-making aids. Here the NBC defense force can provide support by radiation detection from the air. The speed and significance of this variant of nuclear reconnaissance lies between the AMZ/AMS prediction and the radiation detection on the ground. Thus it closes the time gap between these two procedures.

The force commander decides whether radiation detection from the air is performed in a specific case and whether it is connected with reconnaissance of the affected area from the air. If he decides in favor of the latter action, then the NBC staff officer in the command post in the NBC defense cell assumes issuance of the order and coordination since the task is carried out in coordination with army aviation. To carry out the task the air radiation detection device 1 (LSG 1) is available which is part of the NBC defense force equipment and can be installed within a few minutes in the liaison and observation helicopters (VBH) ALOUETTE II or BO-105 present in the major formations of the army.

The LSG 1 relieves the operator of difficult and extensive routine work. The operator, depending on the task, can choose between several service performances of processing. The core of the equipment is a process computer which accepts measurement data of the detection device and of an integrated radar altimeter and recalculates the data measured in the air into ground values and, if necessary, also to a set time after the detonation. All results can be automatically documented in writing, which excludes recording errors and, on account of the formalized presentation of the measuring results, increases speed and quality of the analysis by the AMZ/AMS of the major formations.

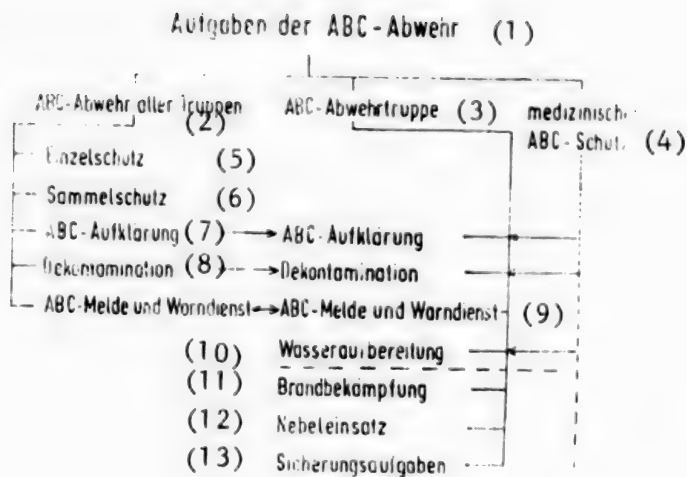
If subsequently additional and more precise results are necessary in the large-area nuclear reconnaissance, the NBC defense force will be assigned the task of radiation detection on the ground. For this purpose NBC reconnaissance platoons or parts thereof are used. Their principal equipment is the detection tank FUCHS, a modification of the transport tank which is also equipped with computer-assisted detection sets. In the described nuclear reconnaissance, the automatic nuclear detection set (ASG 1) is used. Here, too, the test results are converted into normal times and documented with a printer. At the same time, with every printout, the vehicle orientation location (FOA) of the detection tank is interrogated concerning its correct position. The coordinates are correlated with

the test result. The results can be transmitted in writing or by radio to the AMZ/AMS. There is a high degree of reliability because of the correct coordination of position and test data.

For the crew the onboard vehicle orientation installation constitutes a considerable improvement of the work quality and of the extent of the performance. It can be concentrated on the observation of the battlefield and on the actual detection mission. Especially at night and in devastated terrain, the mission can be carried out at high speed and without delay by stops for orientation. High speed reduces the time of stay in the contaminated terrain and also lessens the radiation exposure of the crew.

When it was indicated that especially large fallout areas require much time for verification, this should not mean that reconnaissance of terrain which was affected by chemical agents does not require a great deal of time, too. Such areas are smaller but it is very difficult to reconnoiter them. Frequently they are placed at the flanks or in the combat sector of the forward formations where operations take place especially quickly and change very frequently. NBC reconnaissance thus is always performed under time pressure. Detection tanks FUCHS, integrated far forward, support here the combat forces directly by warning against contaminated areas, drifting agent clouds or also by the observation that performance-reducing NBC protection is no longer necessary or not necessary for the fighting troops. For this purpose there is available, in addition to the alert device for nerve agents (AfN) as detection equipment, the mobile mass spectrometer (MM1). The latter has a data bank in which the typical components of known chemical agents, other dangerous and environmentally polluting substances as well as of practice substances for training are mathematically pictured and are kept in readiness for comparison of characteristics. Air samples from a sonde, if necessary suctioned also directly above the ground or from contact wheels running along the ground, provide the comparison atmosphere for the data bank. Persistent agents on top of or in the ground can be heated by means of the sonde and the evaporation part thus developing can be checked. If the detection system discovers agents, it is able to report not only the presence but also the type of agents or agent mixtures. Unknown substances, whose harmful effect was proven and which on account of lacking recognition features cannot be identified in the data bank, at first contact are accepted in the data bank under a temporarily assigned name and from that moment are available on the recording and other detection tanks as comparison values. The storage capacity of the data bank makes it possible to make use of the detection tank also in peacetime, e.g., in cases of catastrophes.

Unknown harmful substances must be identified. If they are present in persistent form, soil samples can be taken by means of special implements attached to the rear of the detection tank, packed in sample containers and taken along to pass them on to agent investigation points for chemical/biological analysis. During the entire operation including the taking of samples, the crew in the detection tank is under NBC protection, i.e. it can work without being hindered and without stress by personal NBC protection measures such as NBC protective mask and gloves. The result of chemical detection, just as is the case for nuclear detection, are in most cases reported by radio or in writing to the AMZ/AMS for analysis.



Key:

1. Duties of NBC defense
2. NBC defense of all troops
3. NBC defense force
4. Medical NBC protection
5. Individual protection
6. Collective protection
7. NBC reconnaissance
8. Decontamination
9. NBC warning and reporting service
10. Water purification
11. Firefighting
12. Smoke screen
13. Security duties

All these reports supplemented by the findings made by the NBC defense of all forces in their own or adjacent areas like mosaic pieces form a total picture with the AMZ/AMS, which, mapped on the tactical situation map, complements the general situation and helps the force commander to include also this part of the combat event in his decisions or plans.

NBC Reconnaissance in Combat Under NBC Threat

Thus far the use of the NBC defense force in NBC reconnaissance has only been described under the aspect that nuclear bursts have already taken place and chemical agents were employed by the enemy. That is the most unfavorable scenario to which the German army has to adapt itself. But the other situation developments must also be included in the calculations. Scenarios are conceivable in which chemical agents have not yet been used, or have been used only temporarily and on a limited area or are no longer used on the battlefield. Under those circumstances, what are the duties of the NBC defense force in NBC reconnaissance? To make this clear, the combat event must be imagined in a model-like description.

Combat forces are in battle. They are prepared for the use of chemical agents by the enemy. Realistic training has made it clear that human senses do not recognize chemical agents in time. Use of conventional weapons of hardly imaginable violence affects the battlefield. Secondary effects of the use of conventional weapons shape the appearance of the environment. Fires reduce visibility. Combustion products of all kinds, especially the unfamiliar odors of lubricants, fuels and plastic substances change the mixture of odors, influence and irritate the sense of smell and the gustatory nerves. The term "strange odor for the area," much abused during training, the key word for triggering NBC protective measures in training, will be a frequent companion on the battlefield.

How does one differentiate under the stress of the battle what is a consequence of the use of conventional weapons and what is a real threat by chemical agents. What would happen if this understanding were to remain without analysis. First of all, combat would take place unnecessarily and for a long time under NBC protection. Later on after the habituation effect has taken over, the NBC protection would be established too slowly, inadequately or not at all, finally even if the force needs it for survival. The first alternative, too, would have fatal effects. Studies of the NATO partners basically have already shown the consequences which occur when troops have to fight under NBC protection as part of uninterrupted operations for a long time. There is physical weakness by loss of liquid, heat accumulation, and increased breathing resistance, impeded coordinated movements, impaired communication, more difficult orientation and target acquisition and psychological impairments caused by the feeling of isolation in systems with collective protection, false behavior in friend-foe recognition, completely disregarding the trivial problems of eating and of the call of nature.

That makes you think. As good as the NBC protective equipment of the individual soldier and that of the weapons systems which protects the force against the effects of NBC agents, ^{may be} as problematical becomes its uncritical sustained use. A force that has to operate for a long time under NBC protection steadily loses

combat effectiveness even without enemy action. That must not happen unnecessarily. The presence of the NBC defense force in the immediate vicinity of the combat forces helps prevent these developments. The NBC defense force warns and issues the "all clear signal," provides safety by its presence. The results of its analyses make possible safe utilization of unaffected parts of the battlefield.

And a concluding thought on this chapter. The use of chemical agents is outlawed under international law. An attacker who uses chemical agents will be guilty. However, this does not apply to implied threatening gestures and behavior creating the appearance in this direction. Such behavior reasonably triggers prophylactic protective measures and thus in the long run a reduction of combat effectiveness without the enemy becoming guilty under international law, for he really did not violate international law. Here a paradoxical situation arises which has to be met.

Decontamination

In the NBC defense companies the NBC defense platoons and the NBC material and operational platoons are responsible for decontamination in peacetime and in combat under NBC threat, separated for organizational reasons, both platoons in combat under NBC conditions as a rule form a reinforced NBC defense platoon. It takes care of all decontamination tasks.

Decontamination tasks occur if the force was hit by fallout or chemical agents in persistent form or if it was forced to stay in contaminated areas. Also decontamination of important parts of the terrain and installations belongs to the tasks to be performed. In cooperation with the medical service disinfection and biological decontamination measures can be requested from the NBC defense force.

In the past, the establishment of main E sites (HEP) ("E" denotes radioactive decontamination, chemical decontamination, biological decontamination) has succeeded in decontaminating personnel, major items of equipment and soldiers' kits. In doing so the NBC defense force started from the correct assumption that in a contamination of the force, in general the three elements personnel, major items of equipment and the soldiers kit are always simultaneously affected in a certain ratio. That was taken into account in HEP's organization of the operating procedures. It is capable of separating personnel from equipment and materiel in an assembly line process, to decontaminate them by different processes and then to return them again to the functional unit.

In the meantime, the NBC protective equipment of the armed forces has been considerably improved. That necessitated already the first rethinking in the decontamination concept. The soldiers were equipped with personal NBC protective clothing that could be decontaminated, the combat forces predominantly have already received weapons systems of a new generation which possess NBC protective ventilation systems. If forces so equipped are contaminated, if the share of the affected equipment predominates, if soldiers are affected nonetheless, then mainly only their equipment. As a consequence, today the entire HEP is no longer needed in every case, frequently only parts (e.g., for the decontamination of major items of equipment).

The second reason for rethinking is the improvement of the decontamination equipment of the NBC defense of all troops that has occurred. By patching up the TEP vehicles and by making chemical decontamination emulsions available, the effectiveness of the TEP teams with the armed forces has increased. Affected elements can now be decontaminated within the framework of the NBC defense of all troops if the extent of the damage is not too great.

Finally the tactical requirement is expressed more clearly than heretofore that the combat forces must be available on the battlefield for as long a period as possible to remain strong at the front. This contradicts the concept of removing affected units from combat, take them back in a time-consuming manner for decontamination and then bring them forward again. Today contaminated forces, if the personnel has not been directed affected, can be temporarily kept in combat with reduced combat efficiency. Decontamination takes place in short lulls in combat of the combat forces, but no longer according to the traditional concept.

The main E site continues to be the most effective decontamination facility of the army; but also the least mobile. With it the entire decontamination capacity of an NBC defense company of the division is tied to one spot. The facility is tied to the one spot for at least 8 hours. In the rapidly changing combat with its surprising developments in the situation, a facility which is supposed to be stationary for this period of time must be placed at least in the rear division territory or even farther back. That is where there is also continued need for it, for the forward-oriented support this facility is no longer useful. In addition to the main E site, there must consequently exist decontamination possibilities in the brigade area. The concept for this area provides for decontamination facilities (e.g., advanced E sites--VEP) which possess only material required for the specific mission which the force can support quickly in its operational area or near it and which are closely integrated with the NBC defense of all troops.

Hereby a temporary subordination under the supported force will be necessary because choice of location, security and carrying out of the decontamination depend on the short-term decisions of the local tactical commander.

That leads to organizational consequences for the NBC defense companies. The platoons must be so organized that they can perform several subtasks in the decontamination simultaneously and at different locations. The demands on the commanders grow; allocation of material, assignment of personnel, division of security forces and logistics make high demands. The threat by the enemy also changes. While thus far in the rear area attention for securing the main E site had to be focused mainly on the enemy from the air, the enemy on the ground must be accorded greater attention in the forward examination. Safeguarding the decontamination measures far forward as a general rule will be taken over or at least supported by the supported force. Changes in the procedures for use up to another assortment of ammunitions for the field guns are the consequence.

The main E site has also adapted to the changed tasks. The strict division into two parts of personnel and material decontamination has now given way to a division into three parts. Personnel decontamination, decontamination of clothing and equipment and material decontamination stand side by side with equal

importance. With this division into three parts, decontamination of clothing and equipment, which thus far had been treated somewhat marginally, receives more attention. The differences in the material composition of the personal equipment of the soldiers has made it difficult to find suitable chemical decontamination procedures, as has been the case for major items of equipment for some time. Above all, special requirements were placed on the quality of chemical decontamination since in the use of items of equipment the direct contact with the user is especially intensive. Despite all these difficulties the NBC defense force now knows the correct way. Introduction of personal NBC protective clothing that can be decontaminated means for the NBC defense force at the same time the integration of the decontamination procedures provided for this clothing into the already existing decontamination process.

Decontamination of clothing is not provided in the field of the NBC defense of all troops. It is to be expected that, independently of other decontamination tasks, this component must be made available as an individual task to the force to be supported. If great distances must be overcome in this connection, the NBC defense force is prepared for air transport of these units. To make possible points of concentration for almost every situation, plans have been made for the air transportation for the entire main E site.

Decontamination of important terrain sections and installations, as in the past, is of importance. Concern about this task was caused by the high consumption of decontamination agents. The NBC protection equipment now as a rule permits overcoming contaminated terrain sectors without having to decontaminate them beforehand. Decontamination can be limited to a small selection of truly important objects.

Water Purification

At the beginning of a military clash, massed deployment of major formations in a narrow space can quickly occur as part of the defense. To bridge the first few days of the combat, the force carries its own supplies. Supply with water, one of the most important supplies, is to come from the public water supply network. Massing of people in the operating areas and the possible breakdown of the water supply on the battlefield by the effect of weapons leave us to face the possibility that bottlenecks will occur. The force itself must then temporarily see to the procurement of water. Getting water is the task of the corps of engineers, purification into potable water is the task of the NBC defense force. For this purpose it installs two water purification installations each in the NBC defense battalions which are able to purify polluted or contaminated water. In checking the water quality and release of the water for use, the agent examination points and the medical service troops provide support. Even in peacetime these installations have proved their effectiveness when used in catastrophes.

Use of Smoke

To complement the description of the duties and even though the concept of forward support does not have a significant influence, large area use of smoke is to be mentioned here. Where forward support is connected with use of smoke, the topic of putting the enemy under a smokescreen and thus the fields of tasks

of the artillery are very quickly involved. Smokescreens over areas by the NBC defense force in one's own rear area nevertheless constitute means of combat support when they are carried out in the framework of engaging penetrated enemy forces or for the protection of water crossings.

Firefighting

Another duty was assigned to the NBC defense force in firefighting. Large-scale fires may considerably hamper the course of combat. Because it is equipped with water-carrying equipment, the NBC defense force is more suitable for fighting fires than other branches of service. By a force structure tailored to this task, the reinforced NBC defense platoons adapt themselves to this use in which rescue and recovery measures of a general nature may become necessary. But it must be stated that for specific rescue and recovery measures the NBC defense force is less suitable than other troops. It lacks the required heavy equipment for this purpose.

Simulation Systems for Training

The NBC defense force must be trained for the mentioned tasks. Training is to be realistic, prepare for combat, avoid endangering people, unnecessary loss of material and pollution of the environment and cause as little expense as possible. This listing of criteria makes it clear very quickly that especially the NBC defense force quickly reaches the limits of what can be easily simulated.

For one thing, there are the requirements of environmental protection which necessitate very cautious handling of chemicals which are provided as simulant agents. It is an obvious demand that only substances are used which do not have a harmful effect on man and the environment. At the same time, these substances must fulfill two contrary functions. There must be substances which serve to simulate decontamination agents and those that simulate chemical agents. The latter must be just as harmless as the first. Those were the requirements of the safety regulations and of environmental protection.

The instructors demand in addition the following: simulant agents are to look like the genuine substances, are to have a similar volume and weight and of course in application require the same handling and as much as possible show the same chemical reactions. To find such simulant agents was difficult. The military science agencies of the Bundeswehr and the chemists of the NBC defense force have been able to satisfactorily accomplish this task in cooperation with industry also for the area of the NBC defense of all troops.

It is at least as problematical to make simulant agents in the nuclear field available. There are of course no realistic possibilities to simulate large-area radioactivity in the terrain. Nuclear reconnaissance in combat is difficult especially because the object to be reconnoitered cannot be directly perceived by the human senses. How much more difficult is it to create a simulant agent that meets all training criteria for something that cannot be directly perceived. The NBC defense force has asked for a simulant agent that exhibits the following simulated performance features by use of electronic data processing.

Radioactive areas of assumed nuclear bursts can be shown algorithmically in a computer if the assumed initial data of the burst and the weather data belonging to it are known. The computer can calculate for any point of the practice area the strength of the assumed radioactivity belonging to the burst.

The navigation installation of the reconnaissance system reports to the computer the coordinates concerned, on which the radioactivity, measured or in exercises, is to be calculated. The system reacts with the readout of logically correct, calculated measuring results. If several detection tanks or air detection teams are provided with this practice equipment and if all practice equipment participating in the exercise receives in the preparation as a basis the same assumed burst and weather data, then the measuring results are compatible with one another regardless of the areas in which the individual reconnaissance systems are used. That signifies that the AMZ/AMS, too, can be incorporated in the exercise, for all data refer to the same initial values. Thus they fit together in the analysis regardless of where or when they were determined.

These two examples from the area of simulant agents vividly show how much thinking must be done, what efforts must be undertaken to describe in the field of NBC defense the reality of the happenings on the battlefield in the form of a model. The force can only learn in reality by constantly repeated practicing. The better the reality is simulated, the more realistic the training can be made. Simulation in today's training requires far more than in the past: creativity and technical understanding in all fields by commanders and instructors. An appeal is directed to industry to support the armed forces in this endeavor.

Prospects

NBC defense of all troops and NBC defense force complement each other. The existence of one element justifies the existence of the other. The NBC defense of all troops reaches its quantitative and qualitative limits where the demand on training and technology overtax soldiers and commanders who are being employed in this field as a secondary assignment or as an auxiliary assignment. The demands for a successful NBC defense go farther than they can be fulfilled by an NBC defense of all troops. A special branch of service is required to fulfill them. This branch of service as an instrument of combat support without NBC defense of all troops would, however, remain a patchwork and could never by itself meet the indicated catalogue of duties in NBC defense.

The NBC defense force at present has found its task and its path to solve this problem. Nevertheless the possible military-political and technical development of the next decades must be watched very carefully to be able to judge what structures and what sets of tasks will be demanded from the NBC defense forces in the future and what technologies will be achieved with which they can meet their sets of tasks. There will be no alternative for forward defense in the foreseeable future. The attention which NATO now directs at the FOFA concept (follow-on forces attack) does not mean that an alternative is to be sought for the forward defense. On the contrary, through the FOFA concept forward defense is to be supplemented by easing the pressure and thus is to be secured despite conventional inferiority. The NBC defense force can start from the assumption that its concept of forward support is the correct combat support over an extended period of

time. What remains is the big field of rapidly changing technology and its potentials. Indeed a qualitative increase in performance in many subsections can be imagined if technology can achieve that and this technology is financially feasible.

In the field of the NBC reporting and warning service, data processing is done with the programmable pocket computer HP-41CV still in a closed system. Establishment of a data link with the tactical command system HEROS with mutual automated data use would lead to a considerable increase in performance. The technical conditions for such a use are present even now. In the area of the headquarters of the armed forces, there operates the NUBIC EDP process whose software and hardware could be employed in the AMZ/AMS, broad areas of the pocket computer could be taken over, could make the latter available for other uses and could establish the data link to HEROS.

NBC reconnaissance has unused possibilities in the field of data transmission. Data processing, too, can be improved. The available reconnaissance systems at present still use paper as recording medium and man as the provider. The mass accumulation of measuring data, of which only a few (e.g., the standard contour lines) are needed, could automatically be reduced to the essential part, which is dispatched in condensed form directly to the processing system for calculated and graphic analysis in the AMZ/AMS. The user would receive the results only when he has to use them, i.e. when he has to prepare and make creative decisions with their help. The technology for this application is available even now, at least theoretically.

For the dosimeters of the radiation-detection and radioactive-contamination meters, follow-on equipment is conceivable which, based on electronic dosimetry, works more reliably, more sturdily and more precisely. The detectors of the future can be equipped with technical intelligence whereby many of the technical errors and those caused by man can be recognized, reported and even compensated for by the equipment. LSG 1 and ASG 1 even now possess part of these qualities. Equipment standardization can lead to greater operator reliability by simplified training and to simplified repair by replacement of assemblies.

In individual protection it could be possible to reduce the physical burden of the soldier by making available clothing that is lighter and permeable in one direction and thus will slow down the decline of his combat effectiveness under NBC protection. In the future, the most difficult problems presumably will have to be solved in the field of decontamination. With an increase in the effort and improvement of the process, increasingly better performances will be attained here in all fields. Thus, of course, the costs, too, will rise. The NBC defense must have the courage to monitor this development constantly and to be prepared to consider whether the curves of duration of war, effort, benefit and costs to be expected so intersect that other processes, e.g., "expendable decontamination" will provide greater benefit in subareas.

According to everything that has been said in this article, it should be noted that a functioning NBC defense with an NBC defense force operationally ready in all fields also directly contributes to deterrence. An enemy who makes first use of an NBC agent puts himself in the wrong under international law, conjures

up the danger of exposing himself to retaliatory attacks and possibly sets the escalation screw in motion which can take on its own momentum. The enemy will accept these disadvantages only if the benefit to be expected is considerable. However, if he has to expect or find out in practice that the hoped for success fails to materialize because the attacked quickly brings the consequences of NBC attacks under control, his cost-benefit analysis will induce him to use the instruments of the employment of unconventional weapons with great caution or not to use them any longer. That would constitute a big step towards deescalation. NBC defense would have made its contribution to providing a better overview of the conflict and to making it better controllable.

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MILITARY

FEDERAL REPUBLIC OF GERMANY

OVERVIEW OF RESERVE FORCE STRUCTURE, TRAINING, MISSION

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[Article by Lt Col Maginot, Artillery, assistant German military attache in Paris, and graduate of the German War College and French War College:
"Bundeswehr's Reserve Forces"]

[Text] Reservists have always been a key element of German military tradition, at least during this century. Indeed, it is difficult to imagine the German armed forces of World War I and World War II without the mobilization process, in other words, without the call-up of reservists.

In 1914, for example, the German Army's wartime strength of 3.8 million men included approximately 3 million reservists. In 1939, Germany's total military strength of 2.5 million included 1.9 million reservists. It was natural, therefore, for us to resort to this tried-and-true concept when establishing the Bundeswehr some 30 years ago in 1955.

As is the case with other armed forces, the size of today's German armed forces is limited for political and economic reasons.

The Bundeswehr's wartime manpower level is determined by the FRG's significant contribution to NATO's forward defense, in the light of the country's geographical situation and the threat. This force level also depends on the mission assigned to the German Army, namely to assure freedom of maneuver throughout Germany for allied forces and particularly for their reinforcements.

While the population of the FRG is about equal to France's, German territory covers an area that is only half the size of France's.

Our geostrategic situation is characterized not only by the absence of strategic depth but also by a lengthy common border with some of the Warsaw Pact countries. A large-scale attack by Warsaw Pact forces would immediately involve the FRG's territory in its entirety. Hence protection of the FRG must of necessity be provided on its eastern border and as close as possible thereto. As a matter of fact, such is the meaning of the term "forward defense".

Because of its peculiar situation and the forward defense operational concept, the FRG must of necessity have a peacetime force structure permitting very rapid deployment of a sufficient number of regular combat units. In principle,

these units constitute the Field Army consisting of 3 corps organized into 12 divisions of 3 brigades each (= 36 brigades).

The Bundeswehr has a peacetime strength of 495,000. In case of war, this figure would rise to approximately 1.25 million through mobilization of about 750,000 men. Thus more than 60 percent of the German wartime military establishment would be reservists.

Given this large number of reservists, it was necessary to establish a policy defining the general principles, terms, and conditions governing the use of reservists within our force structure, and particularly within the new structure resulting from the Field Army reorganization of 1977.

We have three distinct categories of reservists who are assigned to mobilization units and services: the standby ready reserve, the mobilization reserve, and the general reserve.

The standby reserve obligation lasts for those 12 months immediately following completion of a draftee's compulsory tour of active duty or expiration of a volunteer serviceman's term of service. The current standby reserve system was approved by the federal legislature in 1975. The defense minister is empowered to recall standby ready reservists to active duty before mobilization is ordered and without prior authorization of the federal legislature.

Standby ready reservists are required to keep themselves available at all times to receive their recall orders.

The standby ready reserve constitutes a pool of personnel who are still very familiar with their military duties and consequently available for assignment without any need for prior additional training.

The standby ready reserve enables us to bring up to authorized strength units which in peacetime are maintained at reduced strength, and also bring those units to the desired state of operational readiness without delay. This capability is especially valuable when standby ready reservists are assigned to their former units.

In the army, these reservists are assigned principally to brigades and divisions. The army plans to call up 48,000 standby ready reservists, the air force 12,000, for a grand total of 60,000.

The mobilization reserve furnishes the bulk of the reservists required to bring the armed forces up to wartime manning levels. It consists of approximately 750,000 men and will be alerted at mobilization time and be called up gradually or right away by means of a general recall order. These reservists will, for the most part, be assigned to cadre units, particularly to so-called mobilization units--i.e. units not activated in peacetime--but also to regular units to fill special positions that are not normally manned in peacetime.

In addition to the two aforementioned reserve components required to bring the armed forces up to wartime manning levels, there is also a general reserve component of some 350,000 men designed to serve as replacements for combat casualties.

This general reserve brings to more than 1.1 million the total number of reservists available in a defense emergency.

The criteria governing recall, instruction, and refresher training of reservists are as follows:

- a. Military occupational specialty and physical fitness;
- b. Domicile close to the mobilization unit's post, camp, or station;
- c. Availability, in other words, assurance that the reservist is not earmarked to perform other duties.

Because of the constraints inherent in military service, the term of service in the reserves is based mainly on the reservist's age.

For this reason, noncommissioned officers and junior enlisted men are, as a general rule, released from the mobilization reserve at age 30. For most reservists, and pursuant to the Military Service Law, "direct military control" terminates at the end of the year during which junior enlisted men reach age 32, noncommissioned officers reach 45, and officers 60 or 65.

Nevertheless, the duration of assignment to the mobilization reserve or the general reserve can be extended considerably when personnel are deemed essential because of their technical competence or special qualifications, or in the case of qualified personnel who volunteer for service in the reserves. On the other hand, release from all military obligations occurs only at an older age, namely: for junior enlisted men at age 45; for officers and NCO's at 60; and for regular officers at 65.

Reservists assigned to mobilization units and services have to undergo continuous training or receive additional instruction and training when they are earmarked for specific mobilization assignments.

In some cases, and especially in units that have to be constituted entirely of mobilized personnel, the training of reservists can prove to be rather difficult because of the variety of duties assigned to them in wartime, and particularly because of the limited availability of facilities and personnel for such training.

To give you an idea of the number of training courses conducted for reservists, here are the 1984 figures for the army:

- a. Of the army's 18 schools, 16 conducted refresher instruction and training for reserve officers and NCO's, offering a total of 172 courses, 83 for officers and 89 for NCO's;
- b. For reserve officers, there are mainly three distinct levels of instruction and training: courses for future regimental and battalion commanders, for future company or battery commanders, and for future platoon commanders.

At the armed forces level, some 60 joint-service courses are scheduled each year for reservists. These courses are designed particularly for specialists in intelligence, foreign (Slavic) languages, and psychological warfare.

I call your attention to the only course--unfortunately the only one--attended by reserve officers from friendly nations, including France. The course is conducted by the Psychological Warfare School in Euskirchen. This year, it was held in April. As a general rule, German reservists have completed 15 months of active duty service as draftees or 2 to 15 years as volunteers. During this period of service, they have been trained to perform one or more duties and have obtained a military occupational specialty rating. Their mobilization assignment is based on this specialty rating. The training and the specialty rating they have received during their terms of active service also govern the type of training reservists must subsequently receive. This latter training is designed to maintain or enhance their level of proficiency.

Pursuant to the Military Service Law, the total prescribed periods of reserve training are 9 months for junior enlisted men, 15 months for NCO's, and 18 months for officers.

However, most reservists assigned to mobilization units and services rarely complete these total prescribed periods. Such considerations as their personal, family, occupational and financial situations cause them to be recalled for shorter overall periods of training.

Reservists receive instruction and training in two ways: as individuals, and as members of complete units in mobilization exercises (vertical call-up).

Periods of individual training normally last 2 to 4 weeks. This training is given in a troop unit, in a training center, or in a service school. It is designed principally to qualify officers and NCO's for higher level assignments, or to retrain certain reservists on, for example, weapon systems recently placed in service.

Mobilization exercises are designed to test the mobilization system and heighten the operational readiness of reserve units. These exercises are the principle element of reservist training and last approximately 12 days.

A major effort has been made these past few years to increase the periodicity of mobilization exercises. For active units--divisions and brigades--and artillery units, they are conducted annually. For units without regular personnel, they are conducted every 2 or 3 years, depending on the requirements of the different combat arms.

The number of reservists recalled to active duty for training rose from 127,000 in 1982 to 157,000 in 1983. In 1984, some 190,000 reservists were recalled to active duty for training.

In 1983--figures for 1984 are not available--15,000 officers, 40,000 NCO's, and 102,000 junior enlisted men received individual training or participated in mobilization exercises.

Having outlined how the German Army uses its reservists, I shall now briefly describe the organization and the mobilization units of the Territorial Army to which a large number of reservists are assigned. This army is organized into three territorial commands, six military regions, and 27 defense districts.

Territorial Army units include:

- a. Six territorial (home) defense brigades maintained in peacetime at manning levels varying from 50 to 70 percent of authorized strength;
- b. Six territorial (home) defense brigades that depend on mobilization for 100 percent of their personnel;
- c. A total of 15 territorial (home) defense regiments organized into 45 battalions;
- d. A total of 150 defense companies and 300 defense platoons.

Without going into details, I shall now list some of the equipment in Territorial Army units.

Reservists themselves differ in no way from regular servicemen.

Infantry units are basically equipped with LRAC [antitank rocket launchers], Milan [antitank missiles], Marder [mechanized infantry] combat vehicles, M113 armored personnel carriers, 120-millimeter mortars, and Unimog [2-ton trucks].

Tank battalions are equipped with M48 main battle tanks.

Artillery battalions are armed with 105-millimeter towed howitzers. Engineer units have M48 armored vehicle launched bridges.

All units are equipped with NBC [nuclear, biological, chemical] warfare defense materiel.

Territorial Army combat units are also extremely helpful to all NATO forces stationed in our country, in that they contribute to giving those forces greater freedom of maneuver. In addition, Territorial Army brigades can be employed as reserves in conducting operations under the forward defense strategy.

The studies which led to the German Army reorganization of 1975-1977 revealed that more extensive use of reservists is limited by:

- a. Peacetime manpower requirements for officering and administering mobilization units, and for performing instructional and training tasks;
- b. Requirements for additional equipment and support facilities.

These limitations precluding more extensive use of the overall reserve pool explain why 1.6 million additional reservists still having military obligations are not used directly to meet armed forces' requirements. If necessary, a

certain number of these reservists will be called upon. But their use is subject to some restrictions inasmuch as many of these men completed their compulsory military service several years ago.

Furthermore, some of these reservists must be released from their military obligations because they perform civilian jobs rendering essential services to the general public, such as, for example, furnishing gas, electricity, water, rail transportation, and postal services. Similar exemptions are also granted to those reservists necessary to civil defense, such as, for example, firemen, technically qualified civilian rescue workers, and personnel of such medical and relief organizations as the Red Cross.

I shall now discuss the activities performed by reservists and for reservists. These activities can be divided into two categories: those within the armed forces (during periods of instruction and training) and those outside the armed forces.

Both categories have to do with questions of motivation, social work, information on security policy, and military training.

One very special task of activities outside the German Armed Forces consists in reinforcing the country's defense capabilities and its defensive spirit. This task is performed in close cooperation with the German Armed Forces Reservists Association (Verband des Reservisten der Deutschen Bundeswehr). This reservists association receives an annual subsidy from the defense budget. It is also important to note that the association's organization corresponds exactly with the territorial command organization.

Membership in the German Armed Forces Reservists Association is voluntary and open to all reservists desiring to improve themselves.

The association has more than 90,000 members in approximately 17,000 local chapters. Some 80 percent of the members, from 20 to 40 years of age, are fit for military service.

Activities outside the German Armed Forces include day-long seminars on security policy conducted within the association. In 1983, some 900,000 reservists participated in such seminars. The association also conducts military training (sports, weapons firing, "commando" rallies).

The German association cooperates on the international level with similar associations in other countries, including France, of course.

One particular point of note is that wearing the uniform is linked to an individual's military status. For this reason, German reservists are authorized to wear the uniform only when on active duty for training.

Summary

The system adopted for use of the German Armed Forces pool of reservists is patterned exactly after the current force structure. The latter is marked by the

great peacetime readiness of operational combat units. Furthermore, the German Army's new structure makes it possible to increase combat strength in case of mobilization by activating additional combat units.

In 1980, the German Armed Forces designed a system for the use of reservists which corresponds exactly to current force structures, while at the same time establishing a framework for future evolutionary changes.

The purpose of this system is to make use of the largest number of reservists as the basic element reinforcing the FRG's defense capability and heightening the spirit of defense in our society.

In conclusion, I should like to quote from the remarks made by the (French!) secretary of state to the minister of defense at the 51st UNOR [National Reserve Officers Union] in Strasbourg on 25 June 1983: "Defense is definitely everyone's concern. For this reason, the regular armed forces, characterized by their immediate operational readiness, must be supported by well-organized, well-equipped reserve forces fully prepared to perform specific missions."

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MILITARY

FRANCE

DEFENSE MINISTER QUILES VIEWS DEFENSE POLICY

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[Speech by Defense Minister Paul Quilès to Higher National Defense Studies Institute in Paris on 12 November 1985: "The Future of Our Concept of Defense in the Light of Technological Progress"]

[Text] It is traditional for the defense minister to come to the Higher National Defense Studies Institute each year to present the military aspects of France's defense policy. It is with real pleasure that I will follow this custom today. Indeed, your year includes people from all backgrounds and all professions, deeply involved in the nation's life. Your presence here, despite your onerous duties, bears witness to your interest in defense questions.

Addressing the National Assembly last Friday, I gave a detailed review of my ministry's action during this parliamentary term. It gave the broad outlines of the 1986 armed forces budget. I will therefore not return to these points. Instead I would like to devote my speech to the future of our concept of defense in the light of technological progress.

The perception of technological progress as the driving force of our civilization is not new. Its political impact is a new factor. Technology—and I mean technology, no science—has an unprecedented fascination for the media and public opinion. It transforms all debates, raises questions on our policies, and engenders hopes which are tinged with science fiction and doubts about the survival of the concept of nuclear deterrence.

The intrusion of technological discussion into the defense policy sphere happened a few years ago when General Rogers questioned the doctrines governing the use of conventional weapons. But this debate was rapidly overshadowed by President Reagan's announcement of the Strategic Defense Initiative [SDI]. Since then public opinions have been approached in various ways to give their support to this new idea.

And the reason why I am anxious to devote my speech to this subject is that it is topical and important. The question I will try to answer is the following: "Does current and foreseeable technological development lead to a change in our strategic doctrine and our choices of arms?"

I will limit my thinking to two subjects: First, nuclear deterrence; and second, the prevention and control of crises. Indeed, these two subjects are the two extreme poles of our defense concept. Nuclear deterrence is the cornerstone of this concept, and a crisis is often one of the consequences of the deterrent. This deterrent protects the most vital aspects of France: its identity and sovereignty. The ability to control crises is necessary to the maintenance of our area of freedom in the world.

The Future of Nuclear Deterrence

Thinking about the future of nuclear deterrence implies thinking about the American SDI. In his speech on 23 March 1983, President Reagan, after condemning nuclear weapons outright as immoral, presented the American people with a new challenge: To remove once and for all the threat of nuclear apocalypse, to replace the doctrine of mutually assured destruction by that of mutually assured protection, in short, to render nuclear weapons powerless and obsolete.

This plan certainly fulfills the hope of a large section of American public opinion. It opens up the only way to deliver the American people from the threat of intercontinental missiles; it enjoys the unreserved support of all those who, for political or industrial reasons, are anxious to increase the defense effort; it is presented as a response to the wishes of the "new frontier" movements; thus, after the conquests of the West and of the moon, it presents a new challenge in keeping with American society's ambitions. I think that in a way this plan seems to have more to do with ideology than with the strategic concept.

The hopes aroused by President Reagan's speech were based on the promises of new technologies, like beam weapons, but also on the expected progress in many spheres like electronics, optronics, and computers. On 6 January 1984, President Reagan decided on a research program aimed at a better appreciation of the possibilities of building an effective strategic defense system. It is only in 1990, at the end of this program, that the current U.S. Administration's hopes will be justified or dashed.

Faced with such a doctrinal change, it is legitimate to question its realism: Is it a technological illusion or an irreversible break with the past, as the advent of the nuclear age was?

I do not want to judge in advance the results of studies and research carried out in the United States. There can be no question of underestimating the qualities of the research workers and the determination which is motivating them; I am sure that they will carry out remarkable experiments which, despite their incomplete character, will be political events. Remember: Last year a ballistic missile was intercepted and, this year, a missile fired from an F-15 plane destroyed a satellite and a laser beam pulverized one stage of a Titan missile.

So let us consider their studies likely to succeed, and look beyond 1990. To what extent and in what conditions can a strategic defense system be established? What problems will Europe and France have to face? What arms policy should we now implement?

The establishment of an impenetrable defense shield is now not very credible; the complexity of such a system is obvious to everybody; it will have to include several lines of defense, including the famous space component, responsible for destroying ballistic missiles from a great distance; it must be capable of detecting the launch of the missiles, eliminating false alarms, and pursuing and destroying its targets at a distance of several thousand kilometers; it will use many satellites of all types: warning, tracking, and identification, and communications satellites, and finally satellites carrying beam weapons. Only a whole chain of satellites will be capable of providing permanent cover of launch sites and the oceans; the most optimistic assessments make provision for several hundred, in other words around 10,000 metric tons in orbit and \$1 trillion in investment, or 20 percent of the annual U.S. defense budget for 15 years!

But it will not be enough to set up this system, it will also have to be maintained: One expert has calculated that one launch every 2 weeks would be necessary just to carry out this task.

What credibility could such a defense system have? It is impossible to test its efficiency in real operational conditions or to discover its vulnerability with certainty. However, there many means of penetrating it: nuclear attacks, antisatellite weapons, and destruction by the enemy strategic defense system. Will it ever be possible to guarantee that no single nuclear weapon will escape it and result in the destruction of a big metropolis?

Finally, I would like to point out, that such a system will only be able to fulfill its mission if its reaction times are compatible with the strategic missiles' flight times. The few minutes it will have imply a completely automatic operation and activation without human intervention, unlike the present situation in which leaders have around 30 minutes to take a decision. This is a logical result which has never been accepted by political leaders or public opinions: It amounts to withdrawing power from men and giving it to machines; it is reminiscent of hit movies like "Doctor Strangelove" or "War Games."

Moreover, uncertainties about the real efficacy of a strategic defense system are implicitly recognized by the Americans in charge of the SDI program. In their view the establishment of an impenetrable shield can only be a distant objective; between now and then a defense system is a vital complement to the offensive forces; its main advantage is therefore that it creates uncertainty for somebody planning a counterforce strike and maintains a reprisal capability. This therefore leaves us where we started, with mutual assured destruction!

So, is France worried about the future of nuclear deterrence?

France thinks that the SDI is likely to result in a revival of the arms race, even though its aim is to end it. If there is one point in the Americans' argument which deserves to be explained, it is the one which heralds a reduction in offensive forces rendered useless by the development of defensive weapons. Defense systems have always been much more costly than offensive systems. If technological progress makes a defensive strategy financially possible, why should the same progress not benefit offensive systems just as much? The sword is always stronger than the shield. For instance, I would like to point out that the development of surface-to-air systems has not made aircraft obsolete!

Another great French anxiety is the appearance of areas of unequal security within the alliance. The space system, as almost all the experts admit, will be ineffective against the intermediate-range or short-range ballistic missiles which threaten Europe, not to mention the Warsaw Pact divisions and air forces.

Finally, there is reason to fear that the idyllic picture painted of the SDI might mislead Western public opinions, although there are still many unknown factors. The SDI research program weakens the consensus on the concept of nuclear deterrence. The transitional period of developing and deploying Soviet and American strategic defense systems will be a particularly critical phase for world security; neither of the two sides will be able to accept being overtaken by the other. Moreover, there is a great confusion in this sphere because the U.S. President recently admitted the need to share defense technologies with the Soviet Union, and then denied this through his spokesman, before proposing the idea again in a more ambiguous form recently.

Thus we have ahead of us several decades in which we will have to reconcile the need for nuclear deterrence and the hopes which public opinions pin on a strategic defense system; this will certainly spark off a conceptual crisis whose development cannot be foreseen, and eventually war could come into its own again because people would think that they could avoid the nuclear threat.

So what are France's answers?

With regard to the technological challenge, France has proposed the civilian-based Eureka plan to Europe. This plan should enable European enterprises to take up the technological challenge in a purely European framework. Nobody can reasonably believe in a balanced European participation in the SDI program; would such participation encourage the creation of European industry? Would it not instead aggravate national competition? How could the difficult problems of industrial ownership be solved?

With regard to the political challenge, France has clearly expressed its concerns. The prime minister himself spoke to you about it; I will quote him: "Trying to base a strategic concept on remote technological possibilities is dubious. Above all it is dangerous to devalue what will form the very foundation of our security for a long time to come, namely nuclear deterrence."

In June 1984 France put forward practical proposals at the Geneva disarmament conference aimed at banning the deployment of weapons in space. It regularly warns the international community against the dangerous character of this new arms race, against opportunist interpretations of the 1972 ABM treaty, and against anything which might look like incitement to violate it.

Finally, with regard to the military threat, however the American position develops, the SDI is likely to lead to a strengthening of Soviet defensive programs. Are we capable of responding to this, of maintaining the credibility of the French nuclear deterrent?

The more the two superpowers emphasize strategic defense programs, the more the penetration capability of our missiles will become the fundamental criterion for the credibility of our deterrent force. However, the technical and financial efforts involved in maintaining our penetration capability cannot be compared with the colossal investment necessary to build a strategic defense system; in this sense deterrence of the strong by the weak also applies from a financial viewpoint.

That is why I have decided to continue and extend the program launched last year to enhance penetration. Its ultimate aim is to counter the most immediate and most serious threat: That of terminal ABM defense systems. The program which has been started will be both continued and diversified; it will have to respond to all the countermeasures likely to be taken by the enemy. That is why I asked the Atomic Energy Commission's [AEC] military applications department to set very ambitious objectives for the miniaturization of nuclear warheads for 1994--the date when the new generation of nuclear missile-launching submarines comes into service. The AEC thinks it possible to develop virtually invisible warhead by then. The M4 missile was an initial major step forward, and we must not slacken our effort.

With regard to space defense, studies are already under way in the customary channels: hardening of missiles, saturation of defenses, implementation of means of neutralizing or even destroying them, and finally the development of new weapons systems.

Remember that, despite the constraints resulting from their miniaturization, our nuclear warheads can resist close, megaton-yield nuclear explosions just as well as the extreme physical conditions they encounter when they re-enter the atmosphere. We could provide our missiles with similar protection to effectively protect them against laser weapons.

We will also examine the possibility of using missiles to exhaust enemy defenses. We will pursue studies on blinding radar by using nuclear explosions. Finally--and this is not the least important measure--we reserve the possibility of developing a new weapons system aimed at overcoming a possible Soviet strategic defense system in space in the light of the conclusions reached in the work on the SDI in 1990.

France would like such efforts to be unnecessary; it is not threatening anybody but it must remain vigilant because it cannot accept the undermining of its defense policy.

The Prevention and Control of Crises

The relative strategic stability in Europe, linked with the existence of the nuclear deterrent, must not make us forget the precarious nature of the international balance; recent and current crises and conflicts are a tragic illustration of this.

Confrontations have shifted to the fringes of the developed world; they take on increasingly elusive forms each day; decisionmaking centers and elements of instability are increasing; the developing countries are becoming the main stake in East-West rivalry. The risks are further aggravated by the race in sophisticated weapons in which many Third World nations are indulging. Furthermore, it is impossible to avoid the dangers of nuclear proliferation. Finally, industrial societies are seeing their economic vulnerability increase.

In this constantly changing world, France does not intend to abandon its political, cultural, and economic role. It is not indifferent to anything which happens in the Mediterranean, Africa, and the Middle East because history has given it responsibilities which it does not intend to shirk. The missions it agrees to fulfill there are in keeping with its ideal of peace, justice, and freedom. The East-West confrontation should not make people forget the urgency of North-South dialogue.

Unlike those who all too often aggravate the conflicts in the world, France wants to work to ease tensions. World stability demands that young Third World nations be able to develop in freedom and peace; they must therefore be free from bloc politics. That is why France will keep its promises to states to which it is bound by cooperation and defense agreements--the only precondition for its assistance being respect for human rights.

France must also preserve its sovereignty in its overseas departments and territories and guarantee the safety of its nationals living abroad. Finally, it must ensure its freedom to trade and protect its supplies of raw materials and energy products.

For all these reasons France is forced to have an overseas action capability.

The control of crises is a delicate task. There must first be a relevant diagnosis of the nature of a crisis and what is at stake in it; second, there must be accurate information about the protagonists and their actions; finally, it must be possible to make skillful use of force, adapting it to the political goal sought; to show strength while being able to adjust that strength.

Safeguarding the freedom to make political decisions requires accurate monitoring and tracking of military action in real time. The military handling of a crisis should be closely governed by political will; thus a permanent and effective liaison between the political and the military is necessary.

Our will to take overseas action presupposes a coherent strategy on the means available. Indeed, France is anxious to have a very varied range of forces and means; this strategy hinges on forces deployed in advance and on intervention forces, the Navy, the Rapid Action Force [FAR], and the air component, not forgetting modern surveillance and communication means.

I cannot overemphasize the Navy's crucial importance: its ability to show strength at low transportation costs makes it extremely valuable. The Navy makes it possible to extend France's influence since it uses an international space for our country's benefit, namely the sea; as you know, outside territorial waters the movement and stationing of naval forces are not subject to any constraints and do not necessitate any negotiations with the countries in a vicinity.

According to the context, a fleet deployed near the coasts of foreign countries is a friendly presence or an ostensible threat according to the context. Its ability to remain near hotbeds of tension in the world for a long time makes it a preferred tool in times of crisis. The variety of missions it can fulfill, especially using onboard aircraft, give it a flexibility of use which is suited to the political settlement of crises; it effectively remedies the lack of support bases.

For instance the aircraft carrier, a mobile air base, can maintain air superiority, the projection of strength, and ground support capabilities both at sea and deep inland; it provides the FAR with the necessary protection and support for its involvement.

I will not dwell on the FAR. As you know, it was created in 1983 to group all the Army's available resources capable of intervening very rapidly outside our borders. It has been operational since last summer. It is the preferred tool for initially demonstrating our political will in the field and, as a last resort, for use against those who threaten any of our allies.

In addition, ground-based aircraft, particularly the tactical Air Force, can play an essential role when the acuteness of a crisis requires the government to make an immediate, high-level military response. It has the advantage of being able to take off and operate very rapidly.

The Navy takes longer to deploy unless it is in position already. On the other hand it has the advantage of not actually involving the national territory. In addition, it gives the government a broad range of options in how to give a political signal; it makes it possible to show our determination and then use force gradually and in a carefully controlled way.

land, sea, or air actions are the extreme phase of a crisis; the use of the Navy makes it possible to avoid reaching this stage or at least enables us to delay the physical engagement of our forces for as long as possible.

However, it is appropriate to adapt our means to the development of the threats. Technological progress in the arms sphere enables some countries to equip themselves with fast patrol boats which are difficult to detect, are equipped with sea-to-sea missiles, and present a daunting threat in coastal waters. Their low cost makes it possible to buy a large number, and it does not take long to train the crew.

Only airborne means like maritime patrol aircraft and carrier-borne aircraft and helicopters can provide the appropriate level of vigilance.

The aircraft carrier therefore proves vital to our overseas action. The government has included in the 1986 budget the resources for starting work on the nuclear aircraft carrier intended to replace the "Clemenceau." I would like to take this opportunity to stress the completely new nature of nuclear propulsion, which increases the possibilities for availability and for staying at sea out of all proportion with any other method. It is clear that a second nuclear aircraft carrier absolutely must be ordered in 1989.

What is more the Navy can also be turned into a latent and diffuse threat. For instance, by the autonomy and agility conferred on it by nuclear propulsion, the nuclear submarine considerably extends the crisis area and radically alters its climate: In blocking action by enemy navies, it has a deterrent efficacy which, in a crisis situation, extends the freedom of action of our forces. Remember, for instance, the Falklands war: The mere announcement of a British nuclear attack submarine forced the whole Argentine Navy to remain in port. This made it unnecessary for Britain to conduct an air battle and a sea battle at the same time.

This is why France has launched a major nuclear attack submarine program: The 1986 budget makes provision for ordering a seventh nuclear attack submarine; two more will have to be ordered in the next few years.

A show of strength is the key point in controlling crisis. The combination of an obvious force like the nuclear-powered aircraft carrier and a very discreet threat like the nuclear attack submarine will give our overseas force an exceptional deterrent capability.

Finally, I regard the programs aimed at protecting our ships. Particularly against the threat of sea-to-sea and air-to-sea missiles, as a priority. That is why I have speeded up all development of missiles and jammers--techniques in which our country is one of the most advanced.

France now has the third-biggest Navy in the world. Of course, it cannot aspire to compete with the United States and the Soviet Union, but it is capable of fulfilling its responsibilities in the world, with its perfectly balanced composition.

In addition, the monitoring of crises requires the use of information-gathering and communication means. In this connection satellites seem to be vital tools for our ability to take independent decisions. Our armed forces are already capable of communicating among themselves and with the political authorities using the Syracuse network's Telecom 1 satellites. This system, which will be fully operational in 1986, makes it possible to cover Europe, the Mediterranean, the Middle East, Africa, the Atlantic, and part of the Indian Ocean. France must continue its efforts in this sphere: a decision will be taken next year on the development of the Syracuse 2 program, which is intended to take over from the Syracuse 1 program.

Nonetheless, the need for information and monitoring in times of crisis cannot be based solely on means of communication; observation satellites are also vital. The government has made provision in the 1986 budget for launching an optical observation satellite program. I will remind you that this satellite has been named Helios, which in Greek mythology was regarded as the eye of the world.

Space has therefore become an essential dimension of strategic relations; but for France the aim is not to transform space into a place of conflict: It should be a place of peace and security, and we believe that the maintenance of our status as a great power depends on the peaceful use of space.

As we have seen, overseas action implies the coordinated use of naval, land, and air forces and of means in space. That is why I would like you never to lose sight of the following ideas: The efficacy of the individual action of each branch of the armed forces can only take on its full dimension if it is carried out in the spirit of the armed forces as a whole. The various spirit of competence and the means deployed are clearly complementary; this makes it necessary constantly to seek coordination and consistency at all levels of the military hierarchy.

These are a few aspects of the directions our defense policy will take in the future. It is up to you to continue this thinking and add to it: Show imagination and boldness; I am convinced that your contribution will be rich and original. I hope that you will remember the main ideas which formed the backbone of this necessarily brief talk; France must remain in control of its destiny; technological progress will not make nuclear deterrence obsolete for a long time, and mankind must continue to shoulder its responsibilities, in other words, essentially, choose between the apocalypse and peace. France will do everything in its power to ensure that the choice of peace continues to be imperative.

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MILITARY

FRANCE

HERNU INITIATES MILITARY STUDY GROUP

Paris 11 116000Z in French 10 Dec 85 p 8

Article by Pierre Darcourt: "Hernu inaugurates the GERMES"

(Text) Yesterday, the former minister of defense launched his Group for Military and Strategic Studies and Reflection bringing together men of all political leanings.

A dark street in a working class neighborhood of the 14th arrondissement, two CRS (Republican Security Companies (State Mobile Police)) agents in black uniforms, a 505 Peugeot unaccompanied by a motorcycle policeman and parked in front of a repainted and repainted building, a polished wood door on the fifth floor, opening on four rooms with flower arrangements, a buffet and two waiters in tuxedos. Here, yesterday evening, before 50 reporters on the Charles Hernu, former minister of defense, inaugurated the headquarters of the Group for Military and Strategic Studies and Reflection (GERMES) of which he is the chairman. "The GERMES," the former minister stated, "is not a fancy club. It started with the 20,000 letters that I received after I resigned. Created 2 months ago, the group has already nearly 2,000 members."

At Charles Hernu's side, sustained and smiling, the vice chairman, General de Benouville, companion of the Liberation and RPR (Rally for the Republic) representative, and General Glavany: was this an indication of a desire to rehabilitate?

The GERMES is not a militant political structure. It will not publish any study or proposal before April 1986, so as not to interfere with the election campaign. "But," he explained, "men motivated by the security of France, of Europe, in the international context, may work together. No one has a monopoly on patriotism."

Answering a barrage of questions from reporters, Charles Hernu remains calm and at times elliptic: "When I was minister, I would administer; now, I am reflecting... I am not here to criticize, but to support..."

"For 25 years, I ploughed a furrow for defense in the opposition... discussions preserving the draft... coherence of the armies..."

Turned to the Future

He does not intend to start a polemic with his successor who is responsible for a weighty and important department. "It would be awkward and unkind."

No useless confidence either. "Are there socialist ministers in the GDRM?" The question is indiscreet."

Asked about his increasing popularity in public opinion, Charles Hernu retorts with detached assurance: "You are telling me that I am increasingly popular? It does not bother me, but I am not going to get too big for my boots!"

The group does not lack work or matter for reflection: the U.S. strategic defense initiative, the Reagan-Gorbachov negotiations, the North-South dialogue.

Two contrasting images are superimposed over each other in the reporter's mind. Paul Quilès, a Polytechnic School graduate, tall, thin and cold, the new minister of defense, and Charles Hernu, the old one, a self-taught and good-natured republican. Why is Hernu popular? "First, because he has saved us from the worst," a general in civilian clothes, officer of the Legion of Honor, murmurs, "and because he has tried to safeguard the essential."

Charles Hernu, at any rate, made a point of indicating what his intentions were: "I was minister of defense and very proud of it. But I am not a veteran from that ministry. I am not going to dwell on the past with nostalgia. What counts is the future and the support which we all owe to the country's security."

9/9/94

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MILITARY

FRANCE

ARMS INDUSTRY SEES INCREASE IN EXPORTS

Public Sector Dominates Industry

Paris LES ECHOS in French 19 Nov 85 pp 5-6

[Article by Didier Pavy]

[Text] It is difficult to pinpoint any weapons industry because of the diversity of its products ranging from cannon powder to state-of-the-art electronics. Concentrated once more through the resolve of the state, in France it has reached a level of competitiveness enabling it to be particularly noteworthy on the international markets. Boosted by the sharp increase in arms expenditures in France and the world in the past 15 years, it involves directly in this movement a sizable portion of French industry that it benefits with the results of its research as well as the capital earmarked to the development and purchase of equipment for our armed forces (71.1 billion francs in 1985 and 275 billion francs for the next 3 years).

Destroyed during World War II, reconstituted on new bases after France's liberation, the French armaments industry has since become concentrated around a few major dominant groups--Thomson, Aerospatiale, AEC [French Atomic Energy Commission], SNECMA [National Aircraft Engine Design and Construction Co.], Dassault, MATRA [General Mechanical Aeronautics Co., Propulsion Section]--largely controlled by the state following a series of nationalizations initiated in 1936 and completed in 1982.

This pattern seems to have been successful for the French industry since its production represented in the early 1980s some 6 percent of an aggregate world total estimated at that time at over 1 trillion francs.

Such high level of activity underlay in fact the boom on arms outlays in the world, expenditures which reached 1.4 trillion francs in the corresponding period and which exploded from the early 1970's on, witnessing a 200 percent increase in current francs between 1973 and 1983. This boom also provided a strong impetus to French production and the latter, increasingly bolstered along by exports (2.7 billion francs in 1970 and 23.4 billion in 1980, that is, a jump of from 20 to 40 percent in the sector's aggregate sales), saw a privileged development during these past 10 years with an annual growth averaging 6 percent in a nondescript economic environment.

In 1984, a peak year for French industry, foreign armaments orders even doubled compared to the earlier year, rising from 29.1 to 61.8 billion francs. Arms shipments in export followed the trend that same year and rose from 28 to 37.1 billion francs.

Since the nationalizations of 1982 the share of the public sector in armaments has represented under 95 percent of sales in the arms industry whose activity is shared essentially by the public enterprises, the French Atomic Energy Commission, and the arsenals of the General Delegation for Armament (DGA). The overall activity of the French armaments industry is furthermore increasingly concentrated in the highly technical aeronautic and electronic sectors.

The aeronautics and space sector, which employs over 81,000 individuals in the armaments industry and represents 37 percent of the aggregate activity of this sector in France with total sales of 60.3 billion francs (of which 64 percent represents exports), heads the list of most productive activities. But the widespread presence of electronics among military materiel--which helps to generalize the concept of an "arms sector"--has resulted in the growth of a sector which accounts for 25 percent of the aggregate arms activity in this industry overall.

In terms of value, in 1950 electronics represented no more than 5 percent of the cost of an aircraft; today it may account for 50 percent of the plane's total cost. Ground weapons (18 percent), naval construction (10 percent), nuclear weapons (5 percent), and miscellaneous activities (mechanical industries, ammunition, powder, and explosives) complete the range of French products.

Thomson: Electronic equipment, detection, weapons systems, communications, ground weapons and aeronautics, and ammunition represented 15 billion francs of military sales in 1983 of which 60 percent were exported, that is, 30 percent of its aggregate activity.

Aerospatiale: Troop transport and training aircraft, subcontracting for Dassault, helicopters, missiles, tactical and strategic nuclear weapons represented 14.5 billion francs of military sales in 1983 of which 50 percent were exported, that is, 60 percent of aggregate activity.

Dassault: Combat and surveillance aircraft for 12.3 billion francs in military sales in 1983, of which 70 percent for export, that is, 90 percent of aggregate activity.

Atomic Energy Commission: Static and strategic nuclear payloads and nuclear fuel for 6.4 billion francs in military sales, that is, 50 percent of aggregate activity.

SNECMA: Aircraft engines for 5 billion francs in military sales of which 60 percent for export, that is, 75 percent of aggregate activity.

Arsenals:

1. The Directorate of Naval Construction (DNT): Warships and paranaul equipment for 12.5 billion francs in sales of which 5 percent for export.
2. The Industrial Group for Ground Armaments (GIAT): Armored vehicles, battle tanks, cannons, ordnance and individual weapons for 7.5 billion francs in sales of which 40 percent for export.

MATRA: Very short-range air-to-air, sea-to-sea, and ground-to-air missiles, antirunway missiles for 4.2 billion francs in military sales of which 75 percent for export, that is, 40 percent of the group's activity.

SNPE [National Company for Powders and Explosives] producing powders and explosives, Electronique Serge Dassault producing aeronautical electronics, SAGEM [Company for General Applications of Electricity and Mechanics] for navigation and guidance systems, TURBOMECA for helicopter engines and Infantry Reconnaissance Vehicles (armored vehicles) constituted, together with the major groups cited above, the aggregate of French enterprises realizing over 1 billion francs in sales a year (in 1983) in arms activity.

A sector calling for high professional qualifications (50 percent of those employed are engineers and technicians), the arms industry has absorbed over 30 percent of the national budget devoted to research and development since 1978 (see table below). In 1983 the sector gave direct employment to nearly 310,000 workers (as against 270,000 in 1974, that is, some 1.3 percent of the economically active population and 6 percent of those employed in industry (excluding construction and public works).

The number of indirect jobs in the sector accounts for some 1.5 million workers. The French arms industry also provides for the maintenance of an industrial network of from 10 to 20 percent of jobs in some French regions which are among the most underindustrialized.

Discrepancy Between Order, Deliveries

Paris LES ECHOS in French 19 Nov 85 p 5

[Text] The data on the sales of armaments for export are subject to questions.

They contain discrepancies depending on the various data-collecting institutes--which is normal since the parameters of military activities are fuzzy--so that there are discrepancies in the figures even within the same country.

The sales of arms considered by the Ministry of Defense never tally with those of the customs office, which undoubtedly provides more reliable statistics.

An inquiry by SCIENCE ET VIE (November 1985 issue) stresses these various contradictions. A particularly large one has been observed: Data relating to the orders and deliveries announced are completely out of kilter. This is normal for a short time frame since the major arms contracts involve deliveries spread over several years.

But the cumulative differences over the years reached 133 billion francs in 10 years! It is clear that a large number of major orders announced have been vastly overestimated. This is the result of doctored figures and disinformation, for the media are often tempted to stretch facts. Thus, there should be an incentive to measured response and prudence.

French Arms Production and Exports 1970-84
(in billions of French francs)

<u>Years</u>	<u>For French use</u>	<u>For export</u>	<u>Total</u>	<u>Percentage exported</u>
1970	11.6	2.7	14.3	19
1971	12.0	3.0	15.0	20
1972	12.7	4.0	16.7	24
1973	14.9	5.2	20.1	26
1974	15.8	6.7	22.5	30
1975	17.5	8.3	25.8	32
1976	19.5	11.6	31.1	37
1977	21.1	14.7	35.8	41
1978	25.4	17.3	42.7	40
1979	30.1	20.5	50.6	40
1980	35.3	23.4	58.7	40
1981	41.3	28.5	69.8	41
1982	46.6	28.9	75.5	38
1983	53.0	33.1	86.1	38
1984	56.4	41.9	98.3	42.6

Source: Ministry of National Defense

French Arms Orders and Deliveries 1975-84

<u>Years</u>	<u>Orders</u>	<u>Deliveries according to the Customs Office</u> (in billions of French francs)	<u>Cumulative discrepancy</u>
1975	16.6	3.8	12.8
1976	17.2	6.4	23.6
1977	27.1	7.8	42.9
1978	23.2	12.4	53.7
1979	25.2	12.0	66.9
1980	37.3	20.1	84.1
1981	33.8	26.3	91.6
1982	41.6	26.1	107.1
1983	29.1	28.0	108.2
1984	61.8	37.1	132.9

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MILITARY

FRANCE

AIR FORCE AERIAL LOCATION SYSTEM DESCRIBED

Paris AFP SCIENCES in French 21 Nov 1985 pp 28-29

[Article: "The SARA System of Aerial Location of Enemy Tanks"]

[Text] Strasbourg--While the Army is using RITA's [expansion unknown] cars for its communications, the Air Force now can rely on SARA [Air-Transportable Station for Aerial Reconnaissance] to spot, locate and identify enemy tanks or concentrations in less than a quarter of an hour, i.e. a time sufficiently short to definitely destroy these objectives.

SARA is neither a secret weapon nor an experimental project. The 33rd Reconnaissance Wing, one of the major units of the Tactical Air Force (FATAC), has been using it since 1984.

Developed for the Air Force by MATRA [Mechanics, Aviation and Traction Co.], the station consists of eight cabins equipped with data-processing hardware, which can be carried together with their generator by a C-160 "Transall." The system can therefore be transported immediately to the zone of engagement of the FATAC, in Central Europe or overseas.

Like any computerized system, SARA is not spectacular per se and, for those who are not familiar with it, the real-time transmission of intelligence requires an effort of imagination. Yet, it is an important progress in a field in which the transmission and interpretation of an aerial photograph used to require at least one hour.

For example: two Mirage F1-CR fly at very low altitude over the runway of the Strasbourg air base. Less than 3 minutes later, the laser printer in the SARA transmission cabin starts restituting the panoramic photograph taken by one of the two aircraft. The picture of the runway is clear and contrasted: even a non-specialist can identify the hangars and grounded aircraft.

Data printed at the edge of the picture by the Mirage F1 equipment show the time when the picture was taken, the position and inclination of the aircraft as well as the geographic coordinates of the photograph.

Thanks to these data, a rapid-interpretation expert working from the adjacent cabin can read and identify the photo on a pair of screens: the left-hand

screen shows an enlargement of the photo around a given point of interest; the right-hand screen shows the captioned map contained in the computer memory, on which the exact location photographed can be pinpointed.

Still electronically, the interpreter captions the photograph: "tanks," "missiles," "PC [personnel carrier] trucks," and the caption is printed on the final negative which is thus fully digitized: from the time the photograph was taken, it takes exactly one quarter of an hour to produce a precise document showing potential objectives.

SARA and the Mirage F1-CR actually form an indissoluble pair. The F1-CR, which was used to equip a first squadron in 1983, is truly a flying computer, the first digitized weapons system: all data are integrated into the inertial SNAR (Navigation, Attack and Reconnaissance System).

In the previous system, with the Mirage III, the process is much slower. After the order to reconnoiter an objective has been received, it takes 15 minutes to plan the mission, 1 hour for the pilot to prepare it, and a flight of 15 minutes on the average until the photograph is taken.

Therefore, the response time for the three-stage "mission + collection + interpretation" is 2-1/2 hours, time enough for a mobile objective to go away. With SARA, the information is not "older" than 15 minutes and the response time of the system does not exceed 50 minutes. The aircraft does not even have to come back; all it has to do is get away and rise higher in order to transmit.

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MILITARY

FRANCE

BRIEFS

ELECTRONIC TANK CONTROL - The Directorate of Land Weapons just awarded to CGA-Alcatel, of the CGE (General Electricity Company) group, a contract to study an electronic servo-system designed to equip a tank turret powered by an electric motor. The goal of the study is to achieve fine stabilization of the tank weapon so that it can be fired during motion and so that the interference resulting from the movement of the machine will not affect hit accuracy. The techniques implemented in this study include the use of an ESD (Serge-Dassault Electronics) UI-2084 data-processing unit derived from the Mirage-2000 computer. [Text] [Paris AFP SCIENCES in French 21 Nov 85 p 34] 9294

AIRCRAFT CARRIER TRANSMISSION SYSTEM - As part of the evaluation studies of the internal transmission system of the future French nuclear aircraft carrier, the Directorate of Marine Engineering of the Ministry of Defense awarded the construction of a prototype to CGA-Alcatel. The system contemplated will be used to service several thousands of user stations within the ship, and it is based on the use of a redundant wideband fiber-optic network. It represents a new generation of transmission networks on board ships. Through its technology, its capacity, its throughput rate, its reliability and its ability to withstand any aggressions that might result from a traditional or nuclear conflict, this system appears to be the only system capable of meeting the future requirements of the French Navy's nuclear aircraft carrier. [Text] [Paris AFP SCIENCES in French 21 Nov 85 p 34] 9294

(SO: 351977)

MILITARY

GREECE

REJECTION OF GREEK-AUSTRIAN 'LEONIDAS' TANKS QUESTIONED

Athens ETHNOS in Greek 2 Dec 85 pp 24-25

/Article by Alekos Filippopoulos/

/Excerpts/ The great catastrophe of the Greek economy --as described, as a whole, by Greek politicians, in and out of government, both those in responsible and semi-responsible positions, by our economists who are graduates of the London School of Economics, Oxford University or Princeton University, by all of us specialists, those burdened with specific roles and missions, or those aspiring or hoping to replace those coming beforehand --is due to the fact that the Greek people are the ones responsible because they consume more than they produce, because they consume foreign instead of Greek goods, ranging from silk panties to French Roquefort cheese. All wise officials, both those in government and those in the government opposition, stop at this point. They feel that by casting responsibility on the people they have completed shedding light on the problem and have done their duty.

However, to what extent this dead-end issue is illuminated or obscured through the arrogant, elitist and hypocritical positions assumed by so-called unprejudiced professionals and specialists is rarely and fortuitously revealed when various events and situations tear off the veil of secrecy and come out into the open so as to disclose the disposal of the great mass of foreign exchange for the needs of the country.

Because, while the amount of foreign exchange that is used for silk panties, regardless of how justified they are for helping in artificially making the feminine body more seductive, is significant, is essence, the lion's share of foreign exchange is devoured by state supplies and equipment and big-time middlemen with their all-powerful branches in the state apparatus and with bribes and payoffs /several words illegible/ who know how, in every instance, to make firm the need for procuring supplies through free foreign exchange and to torpedo bilateral agreements and the creation of an industrial base and production base in Greece.

Two examples reinforce the above assertion and mask the heavy atmosphere, the frightful responsibility and the compound interests that are accumulating on this issue, namely the disposal of foreign exchange that leads to the assumption of successive loans with the result being the country's falling to its knees and the constant threat of the collapse of the economy.

The first example is the procurement of telephones from OTE /Greek Telecommunications Organization/.

The second example is a serial that has been going on for quite a few years and that reveals in a most marvelous manner the big business dealings around the most productive product known in the world. The product of war and blood. The product of military armaments.

Unfortunately, our country has been unlucky and has to confront a permanent, cunning and plundering neighbor. Thus, it continually has to make use of vast sums of foreign exchange to renovate its armaments and has to have its finger on the trigger to protect its territorial integrity.

In the last few years, efforts were made to set up several war industries with the objective purpose for saving money from the procurement of military materiel elsewhere. Also, so that the country might acquire technology in order that it might gradually be able to manufacture heavy weapons that siphon off the largest sums of the defense appropriations and, furthermore, so that our army might become free of the dependence on, and even of the control of, suppliers (primarily American).

Until now, however, the issue has been tangled up with such special cleverness in the webs of various spiders that it would take the skill of a Nat Pinkerton to unravel it.

Here is a small story with limited financial content but rather eloquent and revealing on what could be taking place behind the torrent of orders (representative of hundreds of millions of dollars) that are signed on a daily basis by the political authority of the Ministry of National Defense, blindly, since each successive minister, being unaware of the special requirements and needs of the military, is not in a position to counter the suggestions and special arguments of service personnel --military and other-- over the preferences and selection of military materiel.

There has been a 10-year exhaustive effort to establish in Northern Greece, together with the cooperation of, technology from and financing by Austria, a neutral country, of a domestic industry for the manufacture of a wide variety of civilian and military heavy and special vehicles.

As is known from international agreements, Austria is committed to building a heavy war industry. Since its technical base gives it this capability it called upon Greece to cooperate in the building of a similar industry with mutual benefits that would come from the meeting of Greece's military needs by domestic production resulting in the savings of foreign exchange and also in the export of materiel to third countries, primarily in the Middle East, that want to break out from their dependence on the big powers.

Plans for the building of the plant were implemented and after 5 years of arduous work a rapid, maneuverable caterpillar track battle vehicle (commonly called tank) was built, already well-known to the Greek reader as "Leonidas" from its many appearances in the press.

This tank was handed over to the Greek army for testing and after a series of evaluations it went on to compete with other tanks with which the Greek army was being supplied. The first thing to be done was to make a comparative evaluation of it with similar other ones: the American M-113 with which our army was equipped, and the French AMX-10 that was being offered to our army. The evaluation came up with the following results:

"Leonidas"	80 percent
AMX-10	63 percent
M-113	58 percent

As is evident, the comparison was overwhelmingly in favor of the Greek-Austrian tank. Anyone would have expected that the Greece state would hasten to enthusiastically make its choice in favor of mass construction of "Leonidas."

Indeed, even more so since it had already begun to be noted from various local wars, which had been supplied by the Americans, that the M-113 which, as has been reported in the press, is being generously supplied to the Greek army, is now gradually being withdrawn by all armies and by NATO because it is considered as an outdated tank and a death trap for all armies that have used it on the battlefield.

More specifically, the M-113 had been described in the last Lebanese war as a mobile coffin because after being hit by the very first mere artillery shell it turned into a giant fireworks display because its outer shell was made of aluminum and its size was unacceptable so that the 10 men it could carry automatically turned into flaming torches.

The reliable specialized American journal THE GLOBE AND MAIL (March 1985 issue) described it as being completely vulnerable and useless and it revealed that NATO had judged it to be a tank that had completely lost its credibility.

In the light of this sweeping disclosure, the Greek state was led in March 1982 to place an order for 100 "Leonidas" tanks co-manufactured with Austria. The provision was made to build 300 tanks, 200 of which would be purchased by Austria. This was an agreement that was unusually favorable to Greece since it assured the following for our country:

1. Gratis technology and technical assistance.
2. A 10-year production schedule of which the Austrians would have absorbed 35 percent.
3. The financing of the plan by an Austrian bank, with a 10-year term and 5.9 percent interest.
4. Payment in foreign exchange by the Austrians after each partial delivery.
5. Granting of permission for export to third countries.
6. Influx of foreign exchange from the development of the plan on a 10-year basis that came to 65 percent of the overall budget.

With this agreement it was at last certain that the suppliers of the M-113 (and also other unidentified materiel) would withdraw their proposals for the supply of this worthless American tank to Greece because it was evident that they had lost ground. And yet their concern that this was the beginning of the end for them because of the Greek purchase actually led them to act in a cunning manner. M-113 tank representatives showed up at the Greek military and requested to work together. They proposed repairing a few hundred M-113 tanks that they would have transported from various countries.

Thus was created some "mix up" and a cause for a "freeze" on the construction of and order for the "Leonidas" tanks by Greece. Also, the investment of 300 billion drachmas that had been made for this purpose remained unutilized.

Then, suddenly, an alleged unexpected need for the Greek army arose. Responsible officials hastened to sign agreements for the purchase of another 100 M-113 coffins at a time when no other nation was doing so.

Already, the suppliers had once again succeeded in their goal.

However, they had not quieted down nor had they been satisfied enough, so they were going to come back again.

When after a short period of time (less than a year), "Leonidas" No. 2 came out of the Greek-Austrian factory, a tank that was more perfected than the first because it was a maneuverable battle tank and not only a transport one, our army tested it and expressed its enthusiasm over it. The mechanized units of Northern Greece used it extensively under the most unfavorable weather conditions and in their official reports they clearly came to the conclusion in a few months that "Leonidas" completely satisfied the operational requirements of the Greek army.

However, once again, in vain. The suppliers of the "coffins" hastened to strike again. First of all, they offered 60 M-113's, at a better price now (i.e. just like selling rags as remnants during seasonal store sales), endeavoring to strike at the "Leonidas plan." At the same time, they proposed to the Greek factory that 275 M-113 tanks be brought in from Europe for repair, namely changing the engine fuel system.

"Here, we will bring you work," they said, with exceptional opportunities for cooperation.

Of course, they lied because the repair of the M-113's had each been evaluated to cost 350,000 drachmas but freight itself cost 2 billion drachmas and, of course, the decision to pull them back from "the fronts" was altogether detrimental.

However, their goal was something else. To fight, once again, local production and to serve foreign interests from whom middlemen obtained significant sums.

What has been written above constitutes just the surface, the covering, whatever can be guaranteed to have a case come out into the open, with dimensions that go beyond the daily small-time interests and conceal the methodology of intrigues and undermining techniques, while at the same time it is proven that it is impossible to neutralize them.

Similar state dealings are today being inflicted on all peoples on a greater and greater scale, they dominate over the people in order to influence their fate, their progress or their misfortune.

Behind each case, cold, impersonal and most usually fabricated case to resemble an entanglement, are hidden the instigators, the persons, the groups. Many times they all together constitute a bond, while in other instances they exist cut off impermeably from one another. Regardless of how an enterprise is organized, it rarely is impaired or suffers breakage. It is so well organized and spurious because of its foundations built by specialists that it is certain that any journalistic investigation, if it should undertake penetration, would find itself faced with a labyrinth of machinations and entangled facts that would lead to a futile or impossible situation. This situation would prevail even more so if the investigation were to be undertaken through direct inquiries to the protagonists. Then the deception is far from certain. The only hope then is leakage of facts from surrounding or casual incidental facts.

A similar casual incidental fact reinforces this entire peculiar matter, namely the continuous supplying of the Greek army with M-113 coffins. Last September, Syrian Deputy Prime Minister and Minister of National Defense Mustafa Talas visited Greece on an official invitation. In talks that were held the Syrian deputy prime minister expressed special interest in the purchase of military vehicles by his country. His interest was felt to be so keen that he requested that the possibility for placing an order for military materiel specially built for Syria in Greece be seriously discussed.

Joint Syrian-Greek ministerial meetings were held which were attended by Austrian officials and specialists. During the meetings the subject came up regarding the capability of building caterpillar track vehicles and other materiel thanks to Greek-Austrian cooperation, the fact that construction would be done in Greece with guarantees given by Austria.

The Syrian official particularly hailed this news and it was then decided that the issue would be pursued through contacts with lower level government officials and experts. In fact, the get-together and the informal agreement was sealed with a cruise into the Aegean.

Immediately after the return of the Syrian deputy prime minister to his country, the Greek Embassy there was informed by the Syrian Government and was requested that proceedings begin that would lead to the signing of an official agreement. In fact, the Greek Embassy in Syria immediately sent a telegram to the Greek Ministry of Foreign Affairs in which Syrian interest in obtaining the "Leonidas" tank was expressed. Several days elapsed but no answer was forthcoming. The embassy sent another telegram describing Syrian interest in the tank but silence was maintained by the Greek side. The matter was forgotten and proceedings on implementation were frozen.

We do not know if officials had decided to take a stand against this revealing piece of published information or to follow the method of the mute.

What we do know, however, and this constitutes a frightful question, is the fate of bilateral agreements that have been concluded in the past few years with Arab and other countries, such as Yugoslavia, Bulgaria, Hungary, Canada, etc.

Have they begun to be implemented, are they being handled on an equal basis or have they been frozen from a lack of interest by the Greek side? Is a new political outlook to blame or is it the sleight of hand by intriguers, bribers and those accepting bribes who are afraid that if bilateral agreements should function then that will be the beginning of the end for them?

And if bilateral agreements should not be implemented, should an explanation perhaps be given as to why they were concluded and, additionally, what other ways our economists, those who hold so many degrees, have in mind to reduce our foreign exchange deficits?

Answer, we pray, before we come back again.

5671

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MILITARY

GREECE

INTERPELLATION IN CHAMBER ON ARMS THEFTS

Athens MESIMVRINI in Greek 29 Nov 85 p 4

/Text/ An interpellation in the Chamber of Deputies by ND Deputies Th. Alexiou, P. Panourgias, S. Gikas, Khr. Fotopoulos, Al. Papadoggondas and I. Spanos refers specifically to the great concern of the people over the bloody acts by terrorists, linked to the many cases of theft of arms and military materiel from various military units. At the same time, they question what steps are being taken for the internal security of the military following the repeated cases of insubordination that have been reported.

In their interpellation the ND deputies make note of the following:

- On 12 April 1985, arms thefts from an engineer unit at Toxotes, Xanthi, was reported.
- On 16 April 1985, an entire arms cache was found in the home of a soldier, Emmanouil Papouras, in a town in Rhodes. Papouras, who was a warehouseman in a military unit, had stolen a 45 mm caliber pistol, 2 knives, hundres of cartridges, 20 detonators, 6 flares, PAO /as published/ cases, 1 anti-tank shell, 1 remote-controlled explosive device, diving suits, etc.
- On 21 April 1985, a soldier by the name of Konstandinos Natsos and two civilians, Ar. Mikhalis and I. Langadas, were arrested on Patision Street because a revolver, 3 offensive hand grenades, 53 cartridges (as well as another 43 in Langadas' home), fuses and a quantity of dynamite was found in their automobile.
- On 25 November 1985, pistols were stolen from the transport vessel Evros that was in the Salamis shipyard. It is believed that they were stolen by members of the illegal organization "Democratic Fleet Brigades."

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MILITARY

SWEDEN

NAVY CHIEF COMMENTS ON SUBMARINES, COASTAL DEFENSES

Stockholm SVENSKA DAGBLADET in Swedish 15 Nov 85 p 10

[Article by Roger Magnergard]

[Text] Harnosand--The navy chief, Vice Adm Bengt Schuback, is traveling throughout the country and speaking in plain language with his officers about the submarine violations.

The trip actually has been planned for some time as an inspection trip, to see what the navy has lost because of its intense antisubmarine effort, but the recent debate has added another element to his program: a military analysis of the submarine reports.

"I agree with the prime minister's assessment that everything that should be made public is being made public," Schuback said.

In this regard, he disagrees with the navy officers, under the leadership of Com Hans von Hofsten, who claim the opposite is true. Schuback said that his officers should not make statements concerning relations with foreign powers. Those are political issues that should be dealt with by the politicians.

Everyone's Right

"On the other hand, everyone is free to talk about anything else. Everyone has that right in a democracy."

Still, the navy chief admits that he has some understanding for the concern and frustration felt by officers who chase submarines. The situation is often crystal-clear to those who are on the spot, even though a closer examination may show that the situation is completely different.

On his trip to all naval bases and coastal artillery regiments, Schuback has detailed reports on all violations in 1984 and 1985.

"This is previously classified material," Schuback said. "Now I can explain why we may have dismissed one reported violation, but judged another to be real."

The navy chief will not release any details from this material, but officers who have gone through the material have been satisfied.

"The important thing is that they believe in the system," the navy chief said. They understand that only the hard boulders, not the gravel, are taken seriously."

'Water Movements'

Several miles to the south, outside the harbor in Sundsvall, his forces have been searching since last Monday for what could be foreign underwater activity.

"Several civilians saw some strange water movements in the harbor," the navy chief said. "Their report was of such substance that we began to patrol the area for additional confirmation of such activities."

Submarine Exercise

"The strange thing is that we had planned an antisubmarine exercise in Sundsvall for precisely this time," Col Karl-Wilhelm Hansen, chief of KA5, said. "We got off to a fast start. Our men were soon ready and in their positions."

"This alarm illustrates the dilemma of the man in charge of the Norrland coast," Bengt Schuback said. "He is responsible for 1,000 km of coast and has one lousy patrol boat at his disposal."

Too Few Units

The navy chief stressed that the material he has is good from a purely technical standpoint, but that too few units are available. As the situation stands today, the navy can defend only one, or at most two, areas if there should be a crisis or a war. These positions would be the southern coast and the Stockholm Archipelago. The coast of Norrland and the west coast would be left unpatrolled.

"Our politicians are aware of this and they are perhaps even more aware of this after the recent public debate. Now I can only hope that they will not be too passive in the 1987 defense resolution, but will provide us with enough resources to maintain an acceptable level of defense along all our boundaries.

'Entire Country Defended'

"I disagree totally with the idea that we are not defending the entire country," said Defense Minister Roine Carlsson, who had a bad cold and was hoarse, at the question-and-answer session in parliament on Thursday.

Erik Holmkvist (Conservative), who raised the question, pointed to a newspaper interview in which Rear Adm Claes Tornberg said that Sweden had insufficient naval forces to defend the west coast and the Gulf of Bothnia in a crisis situation.

"The defense of the Norrland coast is designed to be carried out by army and air forces, as well as by the navy. The coastal artillery is an important pillar of the coastal defense system."

"Our highly qualified combat forces, including naval forces, are intended to be moved to the coastal area that is most threatened by a possible attack. No floating units, that is to say warships, are leaving the coast of Norrland," Roine Carlsson said.

9336

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MILITARY

SWEDEN

IMPROVED DEFENSE PLANNED FOR NORTHERN AREA

Stockholm SVENSKA DAGBLADET in Swedish 15 Nov 85 p 9

[Article by Erik Liden]

[Text] The defense of upper Norrland will be beefed up during the coming years. Air force radar stations will be expanded on both the Finnish and Norwegian borders. Permanent facilities for artillery will be improved in almost all of Norrbotten.

More inductees will be trained in Boden, Lulea, Kiruna, and Arvidsjaur and reserve exercises will be held on a large-scale throughout upper Norrland. In Boden alone, just over 3,500 draftees will receive basic training during 1985/1986. Over 50 percent of them will come from Stockholm or Malardalen.

In order to increase defense capabilities, permanent facilities are being expanded in the vicinity of the Finnish border and in the Boden-Lulea region.

Gold Reserves

The fortification of Boden began in 1901 following a decision of parliament in 1900, which required a joint vote when the two chambers disagreed over the permanent defense of upper Norrland. At that time, 4.7 million kronor was allocated, but when the artillery section was expanded and test-fired in 1907, the project cost over 8 million kronor.

The cost for the remaining sections of the fortification would have been billions, in terms of today's money. The fact that one of the forts in Boden held Sweden's gold reserves until the late 1970's, where they were well protected by guns and soldiers, says a lot about how secure the facility was believed to be.

Morning Salvo

The fortification's guns are placed in the mountains around the center of Boden. Their effect was verified last fall when 900 officers and soldiers were called up for reserve exercises. A large number of heavy artillery pieces opened fire one Wednesday morning just before 0600. Even the people of Boden, who are used to military matters, climbed out of bed and wondered what was going on.

"Under the Cannons of Boden" is the title of a well-known military march. This slogan is still highly applicable today.

Fire Over The Town

"We must exercise in a realistic manner," said Brig Gen Thure Wadenholt, chief of the Boden artillery regiment, A8, and of the defense region F063. We have unique training possibilities here, with a firing range near the town that can be reached by all our artillery pieces. For this reason, we must shoot over the town of Boden."

The fortifications of Norrbotten are being expanded continuously. This is one reason why commander in chief Lennart Ljung has requested permission to expand the restricted area on the Finnish border. Even during times of peace, roads and bridges are prepared for detonation. No foreigners can visit the restricted areas without permission. The government will make a decision concerning the expansion in 1986.

Radar facilities are now being modernized in Norrbotten. Old stations are being retained, but new stations of the 860 and 870 variety are being added, with fortified protection.

For the first time in the modern history of our military, radar stations are also being built in the mountain regions, for better monitoring of the Norwegian border. Under favorable conditions, the modern radar stations can monitor large portions of the Kola Peninsula and a large section of the Atlantic Ocean off the Norwegian coast.

The effort in upper Norrland can also be seen at F21 in Lulea, where three Viggen divisions are now based and at the army's air battalion in Boden, where 20 antitank helicopters will be placed in 1986 and 1987.

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MILITARY

SWEDEN

IMPROVED TANK ARMOR, NEW TANKS NEEDED

Stockholm SVENSKA DAGBLADET in Swedish 18 Nov 85 p 11

[Article by Erik Liden]

[Text] SVENSKA DAGBLADET has learned that a radical reevaluation of tank armor used by the Swedish army is now under discussion by the military leadership and the Defense Ministry.

Both foreign and Swedish experience has clearly shown that the role of the tank has increased along with the rapid development of military technology.

Previously, under the leadership of former army chief Nils Skold who is now a Defense Ministry expert, the army invested only in a light new combat vehicle, "combat vehicle 90." Hagglunds and Bofors have begun developing and producing six different vehicles with thin armor that, basically, provides soldiers with only a splinterproof cover.

Artillery and direct small-arms fire can penetrate this armor.

New Tank Needed

For a long time now the armored soldiers' representative to the inspector of armored troops, Brig Gen Hakan Waernulf, has stressed the need for a new tank to replace Tank S and the Centurion, which the Swedish military has had since 1963 and 1953, respectively. Thus, it has been 25 years since the last Swedish tank, produced by Bofors, was delivered.

Renovation Underway

At present, 80 of the 350 Centurion tanks purchased from Great Britain during the 1950's are having new engines installed and are being renovated and modernized. If funding is provided by the 1987 defense resolution, all 300 Tank S vehicles will be modernized at a cost of just over 400 million kronor.

"This will mean that our 650 tanks will survive well into the 1990's," Hakan Waernulf said.

Advances in missiles and ammunition have also added to the superiority of the tank, especially the modern Soviet, West German, British, and American tanks.

Army chief Liet Gen Erik G. Bengtsson has also stressed, in various contexts, the importance of the tank in a future war.

The problem the army chief faces today is a lack of money for both a light armored vehicle and a new tank.

It is estimated that the light armored vehicles cost 13 to 15 million kronor each today, compared to 5 to 8 million kronor several years ago.

The original goal was to procure 1,500 vehicles during the 1990's, but it is now believed that the government will be unwilling to purchase this number at a cost of 15 to 20 million kronor each.

"Still, we know we will need a tank during the next decade," said member of parliament Olle Goransson (Social Democrat), vice-chairman of the Defense Committee, who himself was trained to operate tanks in 1950 at the P2 base in Hassleholm.

The army leadership, which put off a decision on tanks until the 1992 defense resolution, has now reevaluated Skold's parsimonious position toward a new tank.

West German Vehicles Studied

In just a few weeks some foreign alternatives will be studied when reports are presented to the Defense Materiel Command (FMV) and to the Defense Ministry.

The West German Leopard 2, produced by Kraus-Maffei in Munich, is the main alternative, since Sweden has been offered a relatively low price for direct purchase in the late 1980's: 15 to 20 million kronor per tank.

Sweden was offered the low price because series production will end in 1987 or 1988 in Munich after the tanks are delivered to Switzerland and Holland at a considerably higher price.

Compensation Deal

The West Germans are also interested in purchasing Swedish special steel for a series of 5,000 new tanks in the next century. It could be a compensation deal of the type favored by the government in cases of direct purchase of war materiel from abroad.

There are no plans at present for continued production of Swedish tanks at Bofors. The Leopard 2 has a 12-cm gun that can be replaced with a 13.5-cm gun. The latter can penetrate all known armor, including composites and so-called active armor.

This is not true, for example, of the American antitank TOW missile, which Sweden purchased for almost 500 million kronor or the much-discussed 20 anti-tank helicopters from West Germany that will be delivered to Sweden belatedly next year.

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MILITARY

SWEDEN

SHORTAGE OF F21 TECHNICIANS NOTED

Stockholm SVENSKA DAGBLADET in Swedish 24 Nov 85 p 6

[Article by Roger Magnergard]

[Text] In a crisis or a tense situation, air force planes at the F21 base in Lulea could be kept in the air for only several days. Each year hundreds of thousands of kronor are wasted because of the personnel shortage.

"We have big problems," said Lennart Holtrin, chairman of the aircraft technicians' interest group at F21. Here, on average, one man quits each month.

F21 is Sweden's largest air force wing. Normally, 102 technicians should be working there. At present, 75 to 80 of these positions are occupied.

The 102 positions are divided into three companies of 34 men each. Thus, many never work at the same time.

"A normal figure is 20 men per company per work day," Holtrin said.

This is because seven or eight technicians are out each day because of sickness and similar reasons. An additional 10 are lost to various training courses.

The consequences are costly and may even be fateful.

Air force planes are made to last a certain number of hours. For them to last these hours, however, they must receive maintenance and service at regular intervals.

'Capital Loss'

Because of this shortage of technicians, planes must remain on the ground waiting for maintenance and those in the air receive unnecessary wear and tear without maintenance.

"This represents a loss of capital, pure and simple."

During a crisis or tense situation, the air force is deployed to war bases. The planes are maintained by technicians, but the shortage of technicians means that planes at F21 can be kept in the air only during an initial stage--1 or several days.

"The situation is the same at most of our wings," Holtrin said. The leadership at Halmstad is even considering classifying the number of planes available, simply because it is so catastrophically low.

Defections by technicians from the air force are similar to the well-known defections by air force pilots. They are caused by low wages.

A fully trained technician has 6 years of training and 2 years of work on the job behind him. He is paid between 7,500 and 9,000 kronor per month.

"Last week a technician retired after 42 years of service in the air force," Holtrin said. "He had achieved a final wage of 8,800 kronor."

Most of the technicians at F21 have already applied for jobs at private airlines and companies in the computer field. They are usually offered jobs that pay at least 3,000 kronor more.

"I have applied at Swedair," Holtrin said, "but I would prefer to stay here in Lulea."

Left Union

The technicians at F21 and F15 left their union, the National Federation of Officers, earlier this year because their wage demands were not met. In order to underline their solidarity, they formed an interest group. Such groups now exist at six of the country's wings.

"When every wing has an interest group, we will form a joint board and apply for membership in any union that will work for our interests."

The technicians will enter into the upcoming wage negotiations with the goal of at least a 2,000-kronor increase per month, so that wages will reach the minimum pay of civil aircraft technicians.

The air force chief has expressed his support for this demand, but he cannot order these wages to be paid. Such an agreement must be reached through the usual wage negotiations.

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ECONOMIC

GREECE

DETAILS OF PUBLIC ENTERPRISES' DEFICITS ANALYZED

Athens TO VIMA in Greek 8 Dec 85 pp 23 - 26

/Article by Andreas Deligiannis: "How the Public Enterprises Founder"

/Text/ Fifty public enterprises, which are subsidized by the state and receive loans from private deposits in banks, are now in miserable economic (and not only economic) condition and most of them are "drowning". With a deficit, which by the end of 1985 will exceed 200 billion drachmas, these overindebted enterprises are at the center of the government's concern. The government, albeit with some delay, decided to improve their health by emphasizing the improved "housekeeping" of their financial affairs.

The deputy minister of national economy described the situation as "extremely critical" while he let it be understood by all that the axe is ready to fall: drastic cuts in their expenditures, no hiring at all, review of all their investment programs, strict control (and monitoring) over their procurements, and of course, strict observance of their income policy which is related to a ban on overtime pay.

Many doubt the effectiveness of any restrictive measure. They argue that the problem is not created by their employees alone--who are blamed for the most part for the significant fall of productivity in the public enterprises--but also by their heavy borrowing and the incredibly low quality of services they offer--to the proof, in other words, of the success of those who manage public funds. The key question now is not "what shall we do," but "why did these enterprises reach the point where they are now," why and who is responsible for their borrowing which, according to certain reliable government sources, was made to cover "unplanned expenditures."

Of course, the study of the major problem presented by public enterprises is related to their low productivity which, for the most part, is attributed to the employees, according to the prevailing viewpoint. One often hears the view that "these people do not want to work," while others note that "most people want to get a job in the state machinery so they will not have to work." At the same time one can see an "intelligence decline" which should be of greater concern to those who plan for the future.

Those who study in depth the operational problems of these 50 public enterprises add that the decline in productivity, which is related to the low quality of the services they offer, is not due only to repeated strikes or work stoppages which undoubtedly result in serious production problems, but also to something else: to the fact that most productive hours are lost when the enterprises operate normally. In other words, during regular hours of work, the employees do not work. They don't produce, shielded behind the "paper kingdom" /red tape/ erected by the previous governments.

Minister of Labor Evangelos Giannogoulos has a clear, disheartening, view of public servants, which as he says, "cannot change no matter what." What is it? "They have become used to not working and it is now difficult to change their mind."

Another view on causes for the low productivity is presented by the employees themselves who attribute the tremendous deficits to incompetence of the managers and also to the inability of these managers to inspire confidence among the employees. Even trade union cadres associated with governing PASOK openly criticize managers and board members who fall asleep during board meetings and are present only formally, just to legalize with majority decisions which may involve many billions of drachmas.

Then we have the enterprises themselves which are not only limited to bad management, but which also have considerable losses of revenue either from monies owed to them by the state or from the countless cases of "charge free" services, or deductions, which burden the budget of these enterprises instead of being charged to those agencies which grant charge free services or provide deductions for users.

The transportation enterprises present the largest deficits (and how could it be otherwise when, for example, the electric powered buses of the Athens-Piraeus area /the ILPAP trolleys/ get more buttons dropped in the "charity box" than 30 drachma fares, which will exceed 42 billion drachmas in 1985, while there is every reason to believe that any development target of these enterprises is "destined" to be missed unless they change not only their organization and operations but also improve their services: For example, Olympic Airways should fly on time, buses and trolleys should be more clean, and the trains should go faster.

The buses, trolleys, and subway have the biggest deficits. The three enterprises, Urban Transportation Company /EAS/, ILPAP, and Athens-Piraeus Electric Railways /ISAP/, will have a deficit of over 33.1 billion drachmas by the end of 1985, compared to that of 21.2 in 1984.

But the three enterprises are also not doing very well when it comes to revenues. In 1985 they were 8.4 billion compared to 7.8 billion drachmas in 1984. Their expenditures in 1985 exceeded 41.5 compared to 29 billion in 1984. The three enterprises employ 14,310 persons who received 23.2 billion in 1985, compared to 18 billion in 1984.

The major burden for the transportation enterprises comes from debt service. In 1985 they paid 12 billion drachmas compared to 5.6 billion in 1984.

Of course they are not the only ones that have large debts...

The Railways Organization of Greece (OSE), slow moving, with "last century's" equipment, will end 1985 with a deficit reaching 12.8 billion drachmas, compared to 9.5 in 1984; 9 in 1983; 7.4 in 1982; and 4.9 in 1981.

OSE revenues barely reach 10.5 billion drachmas while expenditures exceed 23 billion which include 17.3 billion for its 13,879 employees. OSE, one of the most backward state agencies in terms of equipment, invested 24 billion in the last 3 years and plans, if all goes well, to invest approximately 17 billion more, which means its debt obligations will increase. Thus, while in 1985 it paid 1.5 billion for debt service, it is estimated it will pay more than 2 billion in 1985.

Among transportation enterprises, EAS is the one with the greatest deficit. It employs 10,197 permanent employees. In 1985 its deficit will be 22.9 billion drachmas compared to 14.8 in 1984, while its revenues for 1985 are estimated to be 5.4 billion compared to 5.3 in 1984. With regard to expenditures, they exceeded 28 billion drachmas in 1985, compared to 20.1 billion in 1984--of which 16.1 billion was for compensation of the employees (compared to 12.7 in 1984).

In 1985 EAS paid 8.4 billion drachmas in debt service (compared to 3.9 in 1984).

Next in terms of deficit is ISAP, which in 1985 will have a 6.3 billion deficit compared to 3.9 in 1984, while its revenues in 1985 were 1.6 billion compared to 1.4 in 1984. Expenditures for 1985 were 2.5 (12.5?) (compared to 1.1 (11.1?) billion in 1984) of which 4 billion was personnel costs.

In 1985 ILPAP will have a deficit of 3.8 billion compared to 2.4 in 1984. Its revenues in 1985 will be 1.3 billion drachmas compared to 1 billion in 1984, while its expenditures in 1985 will exceed 5 billion (compared to 3.4 billion in 1984), of which 3.1 is personnel costs (2,300 employees). In 1985 the enterprise paid 1.1 billion drachmas for debt service, compared to 533 million in 1984.

In the case of Olympic Airways we are reminded of the dictum of the late George A. Papandreou: "The figures are prospering, but the people are getting poor." This is acknowledged by Minister of Transportation-Communications G. Papadimitriou, who has shown from the beginning some courage in an effort to free Olympic Airways (OA) of hundreds of free tickets it issued and which, it is estimated, exceed 500 million drachmas in value a year.

He is also pondering ways to persuade the state to pay what it owes the company, which, roughly estimated, exceeds one billion drachmas. Moreover,

Papadimitriou apparently has caught a whiff of something wrong with Olympic's suppliers' fees, because some people explained to him that 'unless the monster of middlemen and big interests is hit now at the very beginning, it will be too late...

In Olympic Airways the figures are indeed prosperous. According to official data in 1981, 3,081,000 persons flew on the domestic service; 3,591,000 in 1982; 3,979,000 in 1983; and 4,771,000 in 1984. In other words, between 1981 and 1984 sales increased by almost 55 percent.

The overseas service carried 1,926,000 passengers in 1981; 1,871,000 in 1982; 1,984,000 in 1983; and 2,232,000 in 1984. That is, between 1981 and 1984 there was a 16 percent increase.

Revenues, of course, show a commensurate rise: In 1975 Olympic earned 6.1 billion drachmas, while 10 years later, in 1985, it exceeded 76.4 (compared to 56 billion in 1984 and 28 billion in 1981). Also increased was the occupancy factor of aircraft in terms of passengers--an admirable 65 percent.

Expenditures in infrastructure projects and the purchase of aircraft are also on the rise. It appears then that Olympic Airways is doing fine; yet, it is in debt up to its neck! In 1985, it will show a deficit of 8.7 billion drachmas, while in the previous years its deficits were: 8.9 billion drachmas in 1984; 4.9 in 1983; 6.6 in 1982; 5 in 1981; 2.8 in 1980, and 505 million drachmas in 1979.

Minister Papadimitriou, a straight-talking man from Roumeli (central Greece), argues that the "Zalongo dance," that is, the downslide of OA in terms of deficits, started in 1980 when the company, with a loss of 2.8 billion, entered the road of becoming an ailing company. Although it increased its revenues by adjusting fares and gained through transferring into drachmas foreign exchange reserves, the volume of passengers fell by 3.4 percent and the volume of cargo miles by 2.7 percent.

The cash and economic expenditures increased by 232.0 percent in 1980, compared to those in 1970. This spectacular increase was due to the "ill planned purchase of aircraft" through short-term borrowing at high interest rates, and not through an increase in the company's capital. In 1980, OA borrowed 42 million dollars from Bankers Trust, Midland Bank and Wells Fargo, and another 850 million drachmas from the Greek Commercial Bank; 335 million from the Greek National Bank; and 100 million from the Greek Credit Bank. Let us see the consequences of all loans contracted by OA:

For operational capital in 1980 it owed 800 million drachmas and in 1979 paid 606 million drachmas in debt service. In 1981 it borrowed 2.7 billion drachmas and owed for interest an additional 460 million drachmas. In 1982 it borrowed 7.1 billion to meet its obligations but also to service older loans. In 1983 it borrowed 4.7 billion. For all previous loans interest payments amounted to 2.2 billion drachmas.

In 1984 it borrowed 6.2 billion, interest payments amounted to 3.5 billion, but it paid 1.1 billion for debt service. In 1985 OA has borrowed 4.7 billion and by the end of the year it will have borrowed another 3.7 billion. During the year it paid 4.1 billion in interest and 1.9 billion drachmas in principal.

All told, between 1975 and 1985 OA has borrowed 30 /29.1/ billion drachmas for operational capital and has paid only 8.3 for principal. OA has also borrowed for its investments. Up to 1981 the company had borrowed 16.7 billion drachmas and in 1982 it found it necessary to borrow another 13.8 billion to pay for principal on loans due in 1981 and 1982, totalling 4.6 billion drachmas.

In 1983 it borrowed 2.2 billion and paid 3.1 billion on loans (principal). In 1984 it borrowed 5.8 billion and paid 3.8 billion on loans (principal). In 1985 it borrowed 5.8 billion and paid 4.5 billion on loans (principal).

In 1985 Olympic Air, an offshoot of OA, will have a net profit of 30 million drachmas, while it only paid 278 million for the servicing of loans and expects to pay approximately 377 million drachmas in 1986.

This company, with 308 employees (and 518 million in expenditures), had 1.5 billion in revenues and 1.5 billion in overall payments to others, while for investments in 1985 it paid 988 million (and expects to spend on investments in 1986 5 billion drachmas).

Athens Airport, the company which was established to manage the construction and operation of the new airport at Spata, is limited to preliminary work and had as of 1985 investments of 350 million drachmas and personnel payments--the enterprise has 129 employees--of 190 million drachmas. Total expenditures: 365 million.

In 1986 it is estimated it will spend more than 400 million, of which 228 million will go to personnel compensation and another 155 on construction.

In 1985 Olympic Tourist had revenues of 35.5 million and expenditures of 34.1 million, which include compensation of 39 employees amounting to 16.4 million and is expected to exceed 27 million by 1986.

For 1986 the company expects to have a balance with 48.5 million in revenues and 47.4 in expenditures.

In 1985 Olympic Catering had a loss of 231 million drachmas; income 3 billion drachmas; expenditures 3.3 billion. Personnel costs (2,718 employees) exceed 2 billion. Estimates for 1986: Income 4.3 billion; expenditures 4.4; personnel costs 2.5 billion.

Nothing new has been done in the Public Power Corporation /DEI/ which is the largest public enterprise and the major manager of state outlays for energy.

By all indications DEI, too, suffers from "the syndrome of low efficiency" due to suffocating state intervention, a powerful bureaucratic machinery, a voluminous parasitism with everyone--according to a high DEI official--"interested in fees," and a spectacular shortage of specialized cadres.

Under these conditions (and by trying to serve development and social aims without compensation and therefore shouldering the cost of a specific economic and social policy) DEI management failed to bring about the expected and necessary changes in the organization.

In DEI too, as in the other enterprises, the managers soon realized that all these (development and good management) could only be the result of some miracle, which of course did not happen...

DEI is not paid according to the cost of its product and makes major investments with borrowed money. The result: At this moment, long-term debt obligations exceed 400 billion drachmas. This spectacular debt is certainly more significant than the profit shown by its operations. In 1985 DEI will show a profit of 1.4 billion drachmas while in reality it has a loss (less than 7 billion).

With regard to investments, in 1985 DEI spent more than 80 billion drachmas compared to 72.5 in 1984; 66 billion in 1983; and 43.2 in 1982. For 1986 DEI is already planning the construction of three new units (4th in Ag. Dimitrios, first in Amyndaion, 2nd in Sfikia), which will increase the productivity capacity of the DEI system by 34 percent (compared to 1984).

It is expected this will result in an impressive reduction of electric energy imports and therefore an improvement in the company's productivity.

It is worth noting that in the 1982-85 period the balance in electric energy imports shows an increase. In 1980 DEI imported 605 million kwh, which were reduced in 1981 to 319 million. In 1982 imported energy increased to 718 million kwh; in 1983 it went up to 1,891 million; and in 1984, even worse, to 2,556 kwh. In 1985 it is expected to go down to 619 million kwh.

Productivity (and finances) of DEI were seriously affected by delays in the construction of five hydroelectric stations (Sfikia, Stratou, Asomaton, Thisavrou, and Pigai), the reduced rainfall in 1983, which was one of the worst in the last 30 years, and serious breakdowns in the units of Lavrion-2, Ptolemais-4, and Ag. Dimitrios-1. These unforeseen developments were accompanied by a significant increase in the demand for energy.

Up to this point, DEI's (production) image looks good, although not in the eyes of the public since its relations with the consumers and its employees are "unfriendly".

The increase in expenditures outpaces that of revenues. In 1983 revenues reached 117.5 billion drachmas (expenditures 73.8 billion). In 1982 it had

revenues of 92.5 and 62.9 billion in expenditures. In 1981, revenues of 74.1 billion and expenditures of 53.5 billion. The trade unionists, on their part, note as one negative fact the money owed DEI by certain large enterprises. According to data given by the management, they exceed 18 billion drachmas. Also high are expenditures for compensation of 26,000 employees. In 1985 they exceeded 50 billion drachmas compared to 43 billion in 1984.

The Greek Telecommunications Organization (OTE) is also a victim of the "war for fees," and almost subservient to middlemen and lenders. OTE is one of the worst examples of a state enterprise, with flagrant delays in the modernization of its telecommunications' equipment and also in the training of its 30,810 employees who are constantly feuding with management, always presenting economic demands although it is evident that personnel costs are very close to OTE's revenues.

A sign of OTE's crisis is the repeated change in top management and the constantly decreasing credibility of the company in the eyes of its customers, due basically to the low quality of the services it offers.

Looking into OTE's finances it may be useful to say at the outset that its long- and medium-term obligations exceed 100 billion drachmas. In 1985 alone OTE paid 24.8 billion for debt service while next year such payments are estimated to exceed 30 billion.

Following the net profit it had in 1980 (1 billion) and the 4.6 billion drachma deficit in 1981, OTE soon entered the list of profitable enterprises although the profits go down from year to year. Thus, in 1982 OTE had 3.3 billion in net profit and in 1983 a net profit of 5.7 billion. In 1984, profits showed a small decline and reached 5 billion, but in 1985 we see a significant decline to 2.5 billion drachmas.

According to analyses by the Ministry of National Economy, the causes for OTE's crisis must be sought in older accounts (1977, 1978 and 1979) which show an increase of expenditures much faster than that of revenues, so that OTE soon joined the dance of deficits.

Also significant is the "small distance" between revenues and expenditures in 1985. In other words, while OTE earned 77.5 billion in revenues, its expenditures exceeded 76 billion, of which 53 billion drachmas account for personnel costs. With regard to investments, OTE spent 22 billion in 1985 and appears to be the same for next year.

The Greek Postal Service (ELTA) constantly has a deficit (covered by OTE). ELTA has 10,480 employees and an inadequate quality of services which are modernized at the slowest possible pace. It now faces a weak (for the time being) competition by private enterprises for mail distribution.

In 1985 ELTA will have a deficit of 4.9 billion drachmas (which is estimated to go up to 6 billion in 1986), following an increase in investments which

reached 1 billion in 1985, compared to 171 in 1983. To service its loans in 1985 ELTA paid 380 million drachmas. The deficits of the previous years: 1.5 billion in 1984; 2.4 billion in 1983; 2.2 billion in 1982; and 580 million in 1981.

With regard to revenues and expenditures, in 1985, revenues amounted to 10.5 billion (compared to 4.8 billion in 1980) and expenditures reached 15.5 billion including 12.3 billion in personnel costs.

Included in the sector of transportation and communications is the "perennially ill" ERT-1 /radio-TV network/, which has a constantly increasing deficit: In 1984 it was 86 million and it went up to 182 million in 1985.

The Piraeus Port Authority /OLP/ showed a profit (1.5 billion in 1984) but a 300 million deficit in 1985. The Salonica Port Authority /OLT/ showed profits of 348 million in 1984, while in 1985 its profit approaches 300 million drachmas.

But the "greatest tragedy" is that of the Social Insurance Foundation /IKA/ which remains the number one patient of the Greek state, borrowing to pay for the pensions which account for 70 percent of its expenditures. The country's largest insurance organization "lives" on borrowed money and these loans aggravate its economic problems.

Suffice it to say that every year IKA pays only for the servicing of loans from 20 to 30 billion drachmas, while for the period 1985-1989 it is estimated to reach 500 billion. Today's debt obligations (including the new loan of 43 billion to be contracted at the end of 1985 to cover the pensions of the bonus of the insured) exceed 184 billion.

In 1985 the operational deficit, excluding interest and the servicing of loans, exceeds 28 billion drachmas compared to 25 billion in 1984 and 26 billion in 1983. At this point we must say that the first IKA deficits appeared in 1980 (2.5 billion) and went up fourfold in 1981 (9.6 billion) and multiplied in 1985 (28 billion) due to the spectacular rise in pensions of the insured. After May 1983, social insurance was extended to all working men and women. In 1980 the direct and indirect insured were 3,944,000. In 1984 they increased to 4,755,000.

According to IKA Governor Th. Katsanevas, the operational deficit in 1986 will be kept under 28 billion (as in 1985), in spite of the fact that minimum pensions were increased by the equivalent sum of two work days with the result that IKA will carry an additional burden of 11 billion drachmas.

In an explosive critique of IKA, Katsanevas repeated that its operation has been connected with a pile of scandal in the sector of procurement for technological equipment and medicines. He also revealed that the evasion of dues paying is extensive, reaching 30 billion. Dues owed by many private enterprises are considerable, but also those of the state exceed 35 billion.

Olympic Airways alone owes 700 million which--according to Katsanevas--IKA will seek to get through court action. OSE owes another 350 million drachmas. The soccer companies owe over 200 million.

Taking into account the high rate of revenue loss and IKA's social role reflected in its obligations to pensioners and the medical care of its insured, it is worth viewing the results of its accounts (the relation of revenues to expenditures) including the interest payments during the last few years:

	Revenue (Billion)	Expenditures (Billion)
1977	34.7	29.1
1978	44.7	42.6
1979	56.4	54.0
1980	67.5	68.8
1981	85.2	91.5
1982	108.8	136.7
1983	138.7	175.6
1984	172.7	236.3
1985	220.0	288.0

Another deficit enterprise is the Farm Insurance Organization /OGA/ which had a deficit exceeding 32 billion in 1985, compared to 28 billion in 1984, and 16 in 1983. The considerable increase of this deficit first appeared in 1981 when it reached 9.1 billion, compared to 2 profitable years, 1980 with 910 million and 1979 with 342 million profit.

OGA revenues show a significant decline as follows: In 1977 it had 11.2 billion (12.5 billion in expenditures); in 1978, 14.1 billion (15.7 billion in expenditures); in 1979, 16.1 billion (23 billion in expenditures); and in 1980, 24 billion (31.8 billion in expenditures).

In the sensitive sector of the armaments industry, where one encounters fierce competition, not only in the world market but also domestically among Greek enterprises, the situation is far from idyllic. With the exception of the Greek Arms Industry /EVO/, which is developing satisfactorily in economic terms, we have Pyrkal (with obligations exceeding 15 billion), one of the problem enterprises under state control. We also have the Greek Aircraft Industry /EAV/ with short- and medium-term obligations reaching 10.5 billion.

The prisoner of insatiable borrowing, even in its initial steps, which increases with every rise in the price of the dollar, but also because of a series of scandals in procurements, 1 year after its opening in 1981, EAV with capital of 1.7 billion borrowed 22.3 billion, of which 18.8 is owed in foreign exchange and the remaining 3.5 billion in drachmas borrowed from Greek banks.

EAV President Pan. Fotilas, a professor at the University of Salonica, says characteristically that foreign borrowing of the enterprise was its "cross" from the outset, while it is evident that EAV management, as instituted by its founders, has a "colonial character." According to available data, between 1982 and the end of 1984, EAV paid 102 million dollars just in interest payments for loans contracted prior to 1981.

To improve EAV's financial health, it became necessary to use the "classic" treatment: It was decided to refrain from any foreign borrowing in order not to increase its obligations in foreign exchange. Capital was increased to 8.4 billion. Investments were drastically reduced including those relating to technical aid from abroad and the salaries of high-level officials who were being paid with fabulous sums. At the same time, it started a keen effort in the world market to get new orders, not only for repairs, but also for manufacturing in order to increase revenues so the enterprise could at least pay the interest on foreign loans.

The policy of "drastic economics," together with certain "good contracts," had a good effect so EAV President Fotilas now speaks of a recovery and a "positive future," in spite of the continuing burden of debts in foreign exchange.

It is a fact that revenues went up, losses declined, and EAV's prospect brightened. EAV revenues from 3.1 billion in 1981 went up to 7.3 billion in 1984, and it is expected to reach 8.5 in 1985. Losses from 1.3 billion in 1982 went down to 1 billion in 1983 and to 22 million in 1984. One should add 800 million for depreciation.

Payments for technical assistance from abroad show an impressive decline. From 543 million drachmas in 1980 and 1 billion in 1981, they went down to 50 million in 1985.

Efforts to improve the financial health of EAV were accompanied by implementation of a new organizational plan and changes in production, which had positive results. Suffice it to say that in 1981 with 3,265 employees EAV grossed 3.1 billion, while in 1984 with 3,188 employees it grossed twice as much, that is, 7.3 billion. However, personnel costs account for more than 50 percent of revenues. In 1985 these costs will reach 3.9 billion.

In order to give an answer to the often repeated scenario that EAV has as its sole customers the Greek Air Force and USAF-Europe, Fotilas presents the argument of statistics (at the end of 1981 contracts signed by EAV totalled 1.3 billion while at the end of 1984 they totalled 9.2 billion drachmas), but also that of new customers, including the maintenance of all Phantoms in Europe and cooperation with the British RAF, which for the first time assigned to a foreign country the maintenance of its aircraft.

In the manufacturing sector, EAV participates in production of aircraft related to the "purchase of the century" (F-16s and Mirage 2000s), while it

has assumed the manufacture of several parts for the G-222 helicopter of Air Italia, the F-1s of Dassau, the French Snekma motor, firefighting equipment for Canadair aircraft, etc.

Even more satisfactory is the financial picture of the constantly developing and profitable Greek EVO. It is worth noting that net profit from 52.8 million drachmas in 1980, increased to 147.7 million in 1981; 162.1 in 1982; and 809.4 in 1983.

We see a similar picture in sales which in 1980 amounted to 843 million drachmas and started to climb the following year: In 1981, 1.6 billion drachmas; in 1982 they reached 2.4; and in 1983, a "golden year," it went up to 7.9 billion drachmas. In the period 1984-85, sales show a mild increase to 8 billion.

For a more accurate picture we must review sales to other countries. In 1980 they amounted to 227 million drachmas; in 1981 to 776.8; and in the 1982 exceeded 1.8 billion. In 1983, which was an exceptionally good year, EVO exported goods valued at 5.6 billion drachmas, that is, almost 80 percent of its net profit, leaving a benefit in foreign exchange for our country equivalent to 900 million drachmas, while in the period 1984-85, foreign sales went down to 2.8 billion.

The decline in overall sales and especially in exports is due to several factors related to the keen competition faced by EVO in the world market, but mainly to the delay in signing a contract with the Greek Armed Forces for the supply of the anti-tank gun Artemis, which was scheduled to take place a few months before the closing of the accounts for the period 1984-85.

EVO management believes the impressive increase in sales during 1983 is due to the transfer of sales from 1982 to 1983, from new units which began operations for the first time at the end of 1982 and the beginning of 1983. Thus, the decline in 1985 must be regarded as normal within EVO possibilities, and the company's effort to implement an aggressive investment policy utilizing its borrowing. In 1981, EVO invested 346 million; in 1982, 1.4 billion; in 1983, 2.5 billion and 2.7 billion drachmas in 1984-85. For the servicing of loans EVO paid 66.4 million drachmas in 1983 and in 1984-85, 149 million, while the long- and medium-term obligations at this moment exceed 8.6 billion drachmas.

EVO, having developed since 1983 its own technology with its major accomplishment the anti-tank gun Artemis, spends considerable sums on research and development: In 1984-85 an estimated 350 million was absorbed, while in 1982 it absorbed 257 million drachmas. Since 1983 EVO expanded with the purchase of two problem companies:

Metal Works of Epirus, which produces and processes copper alloys, thus gaining control in the production of products which after processing are used as raw material in the production of ammunition in Lavrion.

Initially, the production problems of the company caused delays in the stabilization of plant production, problems in deliveries, and in the final cost of products. As a result of this, in 1983 the company had a loss of 202 million drachmas, of which 113 were in depreciation. For the proper and efficient operation of the unit, an investment of 300 million drachmas was planned.

The other enterprise purchased by EVO was General Mechanics, which strengthened the production of Artemis and produces the disposable fuel tanks for the Mirage aircraft. The investment for manufacturing Artemis in General Mechanics reached 300 million drachmas in 1983.

In view of the poor financial situation of the companies marketing oil products, which in 1984 had a loss of 202 million (due to the increased cost of production and the rising price of the dollar), but also of the need to make considerable investments for modernization, the two state refineries appear to be doing better than any industrial sector (controlled by the state).

The Aspropyrgos Greek Refineries, which dominate the market, continue to do increasingly well. In 1984 with an annual processing of 5,645,000 tons of crude oil (3 percent more than that of 1983 and 11.5 percent more than in 1981), the refineries reached their highest production levels with commensurate benefits for the Greek economy.

At the outset it is worth noting that at this moment the refineries are making an impressive investment of 300 million dollars for their modernization, including the addition of new units for the processing of crude oil into high-quality products. Thus, while they show a steady rise in revenues with a corresponding increase in expenditures, the refineries have increased their investments almost tenfold.

Revenues: from 2.8 billion drachmas in 1981 they reached 7.6 billion in 1984 and 7.9 in 1985 (in 1986 revenues are estimated to reach 9 billion drachmas).

Expenditures: from 1.9 billion in 1981 they went up to 4.7 in 1984 and 6.7 in 1985, including 2.8 billion for the servicing of loans.

Investments: from 2 billion in 1981, they went up to 11 billion in 1985, and in 1986 are expected to reach 26 billion drachmas.

Thus, the profits of the refineries appear modest (892 million in 1981; 2.9 billion in 1984; 1.1 billion in 1985) while the short- and medium-term obligations went up from 976 million in 1981 to 3.4 billion drachmas in 1984 and 4 billion in 1985.

The refineries, in cooperation with the Italian study company Foster Wheeler Italiana, in early 1983 formed the--purely scientific--company Asprofos, which manages the modernization program for the refineries and also aspires to participate in major development projects which are underway or are being

studied in Greece, such as the modernization of EKO, the DEI investment program, studies for the protection of the environment, etc.

The most impressive development in the branch of oil products is perhaps the presence of EKO, which in 1984 bought for 15 million dollars the stock of the ESSO group in Greece. According to early economic data noted by EVO general director Kon. Maniatopoulos, the money paid for the purchase was recovered within the first year of operations, while the company successfully expands its penetration into the Greek market. It has 440 gasoline stations (soon to exceed 500), while its presence is notable in the merchant marine as well. Its revenues are increased by the satisfactory rise in production of chemical products, mainly plastics.

The EKO group of companies includes the Thessaloniki Refinery with crude oil processing capacity of 3.5 million tons, EKO-AVEE /expansion unknown/, which is marketing oil products domestically, and EKO-KHIMIKA, which produces, imports, and markets chemical products such as plastics, ammonia, ethyl, solvents, caustic soda, chlorium, etc.

The EKO group is in close contact with ESSO in the domestic market (EKO is the exclusive ESSO representative for lubricants and chemicals), while the American multinational company buys oil products from the Thessaloniki Refinery, for its requirements abroad in the sector of shipping and the supply of airplane fuel. With 1,200 employees and short-term obligations of 7.5 billion, in 1985 the EKO group realized 1.1 billion drachmas in net profits, compared to 1 billion in 1984 and 59 million in 1981.

In greater detail we might note that in the first year (1985) of its operation EKO realized revenues exceeding 57 billion drachmas compared to 48.2 billion in 1983 and 55.2 billion in 1981. In 1985 its expenditures exceeded 56 billion drachmas compared to 48.1 in 1983 and 55.2 in 1981. It is interesting to note that the total sales by EKO-AVEE in 1985 reached 1,100 thousand tons compared to 799 thousand tons in 1984, to 620 thousand in 1982 and to 659 thousand tons in 1981.

EKO-KHIMIKA sales, which were strengthened by the increase in sales of plastics in 1985, reached 15,800 thousand tons compared to 7,000 thousand in 1984 and 5,100 thousand tons in 1983.

EKO, which is also undergoing gradual modernization, spent 400 billion drachmas in 1985 for investment in the context of its 5-year development plan which includes several projects either under study or being anticipated, such as projects for saving energy (renovation of the ammonia plant and the coproduction of steam-electricity), the introduction of new technology (a new plant for the production of mononuclear chloride vinyl), protection of the environment (de-sulphurization of the refinery gases), and regional development (new facilities for fuel storage in the Kavala and Mytilini airports).

While speaking of oil we should not leave out the Public Petroleum Corporation, which shows a spectacular rise in its profits. While in 1980 it showed a net profit of 42.8 million it succeeded in impressively increasing its profits in the following 3 years. Thus, we see that in 1984 it had a profit of 3.5 billion while profits are expected to be at the same level (3.5 billion drachmas) in 1985.

The Water Supply and Drainage Company /EYDAP/ is an "ideal illustration" in seeing the way the state deals with its enterprises, a way that reminds us of the so-called "country store" accounts. Thus, while EYDAP is essentially profitable and can remain profitable without raising water charges (which have remained steady since January 1982), it shows tremendous deficits which lead to its financial suicide...!

At this moment the accumulated obligations of EYDAP reach 24 billion drachmas, of which 16.5 billion is owed for interest and principal on loans contracted prior to its creation in 1980, and also for loans contracted later to meet obligations "placed on its shoulders" by the state for public works (biological purification and flood protection), but without giving it a share of state revenues from them (the case of Mornos).

In other words, the state lends money to the state at 19 percent interest to construct social policy projects, but the borrower, that is, the state, is obligated to operate like a private enterprise even paying interest on delayed interest payments. Moreover, EYDAP has the obligation to make investments (renovation of the miserable sewer system and gradual replacement of the water supply system whose daily breakdowns cost over 5 million drachmas) from its revenues, while it is expected to show "sensitivity" (if not toleration) to the municipalities which are constantly "feuding" with EYDAP because they "don't usually pay as they should"--they are the worst of debtors.

The municipalities receive loans for sewer projects at an interest rate of 9.5 percent while the residents pay the corresponding charges, of which 22 percent is supposed to be turned over to EYDAP. The municipalities, however, complain about their economic problems, and do not pay EYDAP with the result that they now owe EYDAP more than 2.2 billion.

If one were to add the "extensive" illegal use of water by private individuals and enterprises in the area of Attiki, one can easily understand the truly difficult situation in EYDAP.

Yet (mysteriously...) the company is profitable. Indeed, it shows constantly increasing revenue (4.9 billion drachmas in 1981; 6.8 billion in 1982; 7.9 in 1983; and 8.8 in 1984) and positive results in its balance sheet: from a loss of 1.6 billion in 1981, it soon showed profit of 1 billion drachmas in 1984. This positive image is spoiled the moment one includes money being paid for the servicing of loans. In 1983 it paid 3.2 billion drachmas in interest, and thus the net result was negative (-1.8 billion) and in 1984 it paid 4.1 billion in interest with again a negative balance (-2.9 billion). In 1985 the EYDAP deficit will reach 3 billion drachmas.

The situation is better in Salonica where the Salonica Drainage Organization shows steady profits. In 1984 it realized a profit of 980 million, while in 1985 it is expected to net 900 million drachmas.

By contrast, the Salonica Water Organization has deficits. In 1983, a deficit of 380 million increased to 835 million drachmas in 1985.

Let us face it! Only gambling pays! Soccer Forecasts /PRO-PO/, that is! With minimum operational costs (which nevertheless more than doubled in the last few years, 141 million drachmas in 1980 and 335 in 1984), following an impressive expansion of buildings and the introduction of its own ticket system, the Organization for the Prognosis of Soccer Matches /PP0-PO/ shows with each passing year more and more income. From 7.2 billion drachmas earned in 1980, the figures begin to climb: 7.4 billion drachmas in 1981; 8.7 in 1982; 12.3 in 1983; and 15 billion in 1985. In 1986 it is expected to earn over 20 billion drachmas.

From PP0-POs earnings, 45 percent is returned to the winning soccer teams /for the corresponding Sunday/, 11 percent is kept for the organization's operational costs, 3 percent is given to the Olympic Games Committee, 2 percent to the Association of Greek Gymnastic and Athletic Clubs, 2 percent to the National Soccer Federation, and 37 percent goes to the General Secretariat for Athletics.

However, from its total revenue, PRO-PO pays a fee to the agencies which service PP0-PO, which in 1984 totalled 1.6 billion, as well as personnel costs for the organization's employees, but also for the employees of the General Secretariat of Athletics, which in 1984 exceeded 400 million, while for the compensation of part-time employees (approximately 3,500 each week) who process the tickets /with the player's forecast of winners for the coming Sunday/ it paid another 450 million drachmas in 1984.

A steady increase is also shown by the horse racing track. The Greek Organization for Holding Horse Races shows profits exceeding 1 billion drachmas in 1985 compared to 771 million in 1984.

Among the most profitable state enterprises are also those dealing with construction and public works, which show profits exceeding 15 billion drachmas. Specifically, the Workers' Housing Organization in 1985 showed profits exceeding 15 billion drachmas (compared to 10 billion in 1984), while the Public Enterprise for Town Planning, Housing and Shelter has turned its 1984 deficit of 39 million drachmas to a profit of 44 million in 1985.

The State Land Company shows a profit of 45 million in 1984 and 32 million in 1985. The National Highway Fund showed profits in 1985 of only 150 million drachmas, compared to 1.1 billion in 1984. But in 1985 it made investments totalling 28 billion drachmas (compared to 18.7 billion in 1984).

The Athens Permanent Fund for Permanent Road Surfacing shows a significant deficit without any increase in investments. In 1984 it had a deficit of 63 million (investments reached 1.2 billion drachmas), while in 1985 it went up to 354 million (with investments being at the same 1.2 billion level).

The School Buildings Organization shows a logical deficit: 708 million drachmas in 1984 and 840 million in 1985.

The Greek Tourist Organization in 1984 had a deficit of 864 million, which in 1985 went up to 1.5 billion.

In 1984 the Tax-Free Stores showed a profit of 1.2 billion and in 1985 more than 1.5 billion drachmas.

The Organization for Administering Public Materiel in 1984 had 1.4 billion in profit, and in 1985 more than 2 billion.

The Central Vegetable Market shows a deficit: In 1984 1 million drachmas, in 1985 4 million.

The Organization for Publishing School Books: In 1984 it showed a deficit of 1.9 billion drachmas which went up to 2.7 billion in 1985.

In 1984 the Cotton Organization had a deficit of 486 million drachmas which went up to 600 million in 1985.

The Greek Tobacco Organization had a profit of 221 million in 1984, reduced to 56 million in 1985.

The Salonica International Fair had a deficit of 66 million in 1984, which went up to 153 in 1985.

The Organization for the Promotion of Exports had a deficit of 158 million drachmas in 1984, which went up to 258 in 1985.

The Manpower Employment Organization showed a profit of 2.3 billion in 1984, but in 1985 it showed a deficit exceeding 2.5 billion.

The Greek Pharmaceutical Organization showed a profit of 3.7 billion in 1984 and 4.2 in 1985.

The Hellenic Organization of Medium- and Small-Size Enterprises and Handicrafts had a deficit of 313 million in 1984, which went up to 400 in 1985.

ELOT /expansion unknown/ had a deficit of 43 million drachmas in 1984 and 47 million in 1985.

The Institute of Geological and Mineral Research had a deficit of 366 million in 1984 and over 550 million in 1985.

The Labor Hearth had a profit of 675 million drachmas in 1984 and 350 million in 1985.

ECONOMIC

GREECE

DETAILS ON DEFICITS INCURRED, LOANS CONTRACTED

Athens I KATHIMERINI in Greek 28 Dec 85 p 1

[Article by Nikos Nikolaou: "Economy's Rapid Deterioration Upsets Government Schemes."]

[Text] The allocation of the second installment of the EEC loan is becoming problematic due to a failure to fulfill conditions.

The crisis in the balance of payments is expanding widely and it appears that devaluation might prove unable to stem imports and above all to put an end to the leakage of capital. At the same time, the deficit has reached such heights that responsible officials face the future with dread, and they agree that it is unlikely that it will be brought down at this point without taking harsh restrictive measures which will, however, throw the economy into a deep recession. These pessimistic prospects are clearly delineated by the data the Bank of Greece issued yesterday on the evolution of the balance of payments during the 10-month period between January and October from which it can be inferred that the deficit has risen by 60.5%! Specifically, the balance deficit in current transactions reached \$2,725 million during the 10-month period versus \$1,698 million during that same period last year. This increase by \$1,027 million in the deficit was due to an increase by \$827 million in the trade deficit and to the drop of \$200 million in invisible receipts.

Thus, the factors causing a crisis in the balance of payments are now three:

First, the weakening of the competitiveness of domestic production, which is expressed by the increase in imports and the decrease in exports.

Second, the loss of capital, which manifests itself in diminished returns from tourism, emigrant and merchant fleet foreign exchange.

Third, the rising burden of expenditures to meet the foreign debt (interest rates and amortization).

It should be noted that it is calculated that the deficit will reach \$3,200 million for the whole of 1985, thus upsetting the plans of all the officials who, up to October, were talking of a deficit below \$2 billion!

To bring home the extent of the problem as well as the danger of the balance becoming the cause of harsher restrictive measures, it is mentioned that, according to the EEC Commission's decision of 22 November by which the first instalment of the loan was granted, the balance deficit in 1986 must go down to \$1,700 million, in 1987 to \$1,300 million and in 1988 to \$1,000 million. Those targets are so daring as to be unrealizable, which means that in October 1986 the EEC will not give us the second installment of the loan or that, in order to cash it, we will have to take even harsher measures than those of 11 October.

Meanwhile, October was the first month after the devaluation and although it is too early to judge, still the small drop in imports--which is probably due to the down payments--as well as the limited rise in exports do not allow much hope.

Increased Borrowing

On the other hand, the rise in the foreign debt is dramatic. The government, in order to meet the extended deficits, was obliged to borrow in the 10-month period of January to October \$3,295 million (\$2,725 million balance deficit and \$570 million amortization) versus \$2,293 million during the same period of 1984 and \$1,986 million in 1983. These developments leave no doubt whatever that at the end of the year the foreign debt will have exceeded \$15 billion!

More analytically, and according to the Bank of Greece data, in the last three years the balance of current transactions evolved as follows during the 10-month period of January to October, in millions of dollars:

	1983	1984	1985
Imports	7786	8149	8819
Exports	3356	3656	3499
Trade Balance	-4430	-4493	-5320
Invisible Receipts	4599	4532	4428
Invisible Payments	1661	1737	1833
Balance of Invisibles	2938	2795	2595
Balance of Current Transactions	-1492	-1698	-2725
Movement of Capital (Net)	1757	2130	2782

As can be inferred from the above data:

Imports

1. Expenditure of foreign exchange for imports increased by 8.2% versus 4.7% last year. This acceleration shows the increase in the imports infiltration which, in turn, points to the weakening of the competitiveness of domestic production whose products are being gradually displaced by foreign ones. Of

course, one must look for the reasons of this weakening in a more rapid inflation in our country which makes our own products more expensive and foreign ones cheaper.

2. Exports decreased by 4.3%, whereas last year they had risen by 8.9%. And this negative development is also due to the decrease in the competitiveness of our own products, which are facing ever greater difficulties in being placed on foreign markets.

The October devaluation and, chiefly, the downpayments were aimed at restraining imports and at rekindling exports. Data for the 2-month period of November-December will show if there is some concrete response, for October was not so encouraging.

3. Invisible receipts yield ever smaller returns in foreign exchange. Apart from the merchant marine crisis which continues in fact, the fundamental reason at this stage must be devaluation expectations, which result in large amounts from tourism and remittances not being converted into drachmas. Particularly in October, the first month of the devaluation, all the items from invisible receipts (tourism, merchant marine, emigrant remittances etc.) showed a decline.

4. In invisible receipts, the increase in the item set aside for the payment of interest rates is impressive. During the 10-month period it reached \$984 million versus \$892 million last year.

5. As regards the net movement of capital, the increase is due to foreign loans. Conversely, the autonomous influx of capital (that is, the influx of the private sector) showed only a slight increase in enterprise capital and a sizeable one in the foreign borrowing of commercial banks. On the other hand, less foreign exchange was imported for the purchase of real estate, while deposits from residents abroad also were smaller.

6. The foreign exchange available on 31 October 1985 appeared as being \$1,326 million versus \$1,189 million last year on the same date. It is ironic that the increase in available foreign currency is due to the influx from new borrowing!

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CSO: 3521/72

ECONOMIC

ICELAND

NEW FINANCE MINISTER PALSSON DISCUSSES DEBT, INFLATION

Continued Trade Deficit Foreseen

Reykjavik MORGUNBLADID in Icelandic 2 Nov 85 p 2

[Article: "Foreign Trade Balance Will Not Be Achieved Next Year"]

[Excerpts] "Everyone thinks that it is an assault on Icelandic prosperity to reduce foreign debt. Everyone thinks that foreign financiers will maintain prosperity in Iceland," said Thorsteinn Palsson, chairman of the Independence Party and Icelandic Minister of Finance at a meeting of the party Council held yesterday. Palsson placed emphasis in his keynote speech to the meeting that it is value creation that supports prosperity and for that reason value creation must be increased as foreign debt is decreased. The news is wrong that a new policy has been begun with respect to Icelandic prosperity and Palsson provided examples showing that the opposite was true.

It emerged from Palsson's speech that it is predicted that the interest burden of the treasury next year will be 6.2 percent of its income. In the past 10 years the figure has been 1.5 percent. If something is not done quickly the proportion of expenditures constituted by interest will be higher next year. If the interest burden is the same next year as in the present year, it will be possible for the government to fulfill its promise of reducing the income tax by 600 million kronur. Some 3.2 billion kronur should go for interest payments during 1986. However, it is estimated that income taxes will bring in 2.7 billion kronur in the budget proposal that is now before the Althing. Nonetheless, the burden of payments due to direct taxes will decrease next year.

Thorsteinn Palsson emphasized the need to exercise restraint in state expenditures without cutting the purchasing power of wages. The duty of the government is to work to reduce inflation more than in the past and to reduce foreign debt. The Icelandic foreign trade deficit is considerable, not due to trade in goods, but because Icelanders have to pay foreign financiers interest for the loans of past years. Half of all Icelandic capital comes from abroad. The chairman of the Independence Party said that it is desirable to make efforts towards a deficitless foreign trade immediately next year. But such will not be possible without cutting the purchasing power of wages. That is, on the other hand, not the policy of the government.

Palsson also referred in his speech to proposals on cutting the foreign exchange rates of the krona as one way of correcting profits from fishery products. He thought that such measures are of dubious effect, in particular because an increasingly larger percentage of fishing company expenditures consists of costs that will increase if the exchange rate of the Icelandic krona is decreased in comparison to foreign currencies. Thus credit costs are also a large part of operating costs, and no one should think that it will not be necessary to compensate workers in fisheries for the wage cuts that will result from a cut in the exchange rate of the krona.

Report to Parliament

Reykjavik MORGUNBLADID in Icelandic 13 Nov 85 pp 28-29

[Article: "The Previously Decided upon Increase in Tax Collections Will Not Be Needed"]

[Text] Roughly estimated, the individual state tax burden in 1986 from direct taxes will amount to 3.8 percent of monetary income, whereas the figure was said to be around 4.4 percent this year. During the years 1981-1983 the proportion was around 5.5 percent. So stated Icelandic Finance Minister Thorsteinn Palsson when he delivered his budget speech yesterday. Some selections from his speech follow.

Price Changes--Wage Agreements

"Price changes during 1986 will to a large degree depend upon the results of wage agreements at the beginning of the year. It is the announced policy of the government not to apply purchasing power cuts in such a way so as to limit the expansion that is now taking place in the Icelandic economy. To the degree that value creation increases during the next year and the years following we must utilize it evenhandedly to protect the purchasing power of wage earners and repay foreign debt.

"A great deal depends on what the situation will be with respect to agreements. There have been proposals for some kind of a universal wage agreement for workers, employers and the state. I shall not discuss such proposals in detail at the moment. The purpose of such proposals must by and large be twofold:

"First of all, that those parties involved should obtain an agreement on purchasing power and the standard of living which the parties in question will attempt to protect through definite measures. Secondly, efforts must be made in wage agreements not to increase the rate of inflation and debt accumulation. Both of these primary goals are vital in the long run for the good of the households and the nation as a whole.

"Taking these things into consideration, I think that it is both right and necessary for the government to listen to the proposals that have been advanced on some kind of a general wage agreement like this. That has been done before in more or less the same manner. An effort to achieve this for a given time should not be ruled out in this connection. In times past, success

and purpose were evaluated in terms of whether or not it was possible to make a long term agreement in this way.

"Before schemes concerning such proposals are brought forward it is necessary to realize clearly that the government will not enter into discussions with parties in the labor market on such a basis unless there is agreement among the appropriate largest overall associations of wage earners. In this matter one thing cannot be valid for workers in the public labor market and another for state employees. But it is still unclear whether or not there is the real desire for such a proposal or support for it. I would like to state publicly, however, that the government itself is ready for discussions."

Changes in the Proposed Budget

"I will now discuss those changes in the proposed budget which the government and the coalition parties have agreed to present to the Althing.

"The changes are in the income, expenditure and wage portions of the proposed budget. The intention is to reduce income somewhat from that predicted in the proposed budget, i.e. by 300 million kronur. Expenditures will be reduced by 574 million kronur. The operating capacity of the treasury will thus be 397 million kronur, somewhat better than given in the proposal. In addition, there are plans to reduce the amount of foreign debt assumed by the treasury by 500 million kronur and this is practical due to the improved operating capacity and likewise through increased collections of installments and a decrease in creditor and capital outlays. In addition, there is an agreement to reduce the foreign loans of companies with state ownership by 300 million kronur. Through such measures the goal of reducing demand for loans will be met and foreign loans decreased by a total of 800 million kronur.

"The decision has been made not to proceed with proposals to subject certain goods and services--previously not taxed--to the sales tax. The income would have amounted to 400 million kronur. Among other changes in the income section, 100 million kronur in income is added principally through removing the exemption for import and sales taxes. Weightiest here is customs freedom of certain categories of service and capital goods of the Icelandic Post and Telegraph Office.

"In addition, treasury expenditures will be decreased by 574 million kronur over the figures given in the budget proposal.

"It is planned with regard to savings in state expenditures, that 50 million kronur savings will be achieved through elimination of various capital activities or through putting them off temporarily. Some 120 million kronur will be saved through special savings measures in the ministries and state institutions. Definite limits on financing of certain expenditure categories are planned. These include travel and vehicle costs, entertainment and purchasing of services.

"Wage expenditures are to be cut by around 130 million kronur due to a policy of not replacing those leaving government service immediately; this will reduce the amount of overtime and the recruitment of replacements. Effort is

now being made to produce detailed proposals on how these things are to be carried out. It should be mentioned that the savings in wage payments discussed here is equivalent to annual expenditures for 230 state positions of those 10,000 positions present among A-portion agencies. Wage costs for such persons are estimated at 8 billion kronur in the proposed budget so that only a small saving is under consideration here in comparison to total state wage costs.

"Proposals for a cut in capital outlay differ in major areas. The plan is to reduce capital outlay in certain areas and to put off projects to meet various needs."

The minister later said:

"There is no plan to cut capital outlays for road construction. However, it is considered possible that the investment plans for the road construction equipment park can be decreased by 30 million kronur, but this will be a matter of the replacement of equipment and vehicles. Road building projects have, to an increased degree, been given up for bid on the open market and the equipment needs of state institutions are not what they once were.

"Concerning the B-portion, it is clear that those state enterprises which have contemplated various investments will have to pull in their belts. Some of these enterprises have been very well supported financially in past years and control large capitals. There are plans to reduce the capital outlay and equipment replacement of the Icelandic Post and Telegraph Office, of Icelandic State Television, of the State Fertilizer Plant, of RARIK and of many other agencies, much smaller in scope."

Income and Expenditures

The Minister of Finance referred later to 1986 state income and expenditures, according to the proposed budget. The income side, he said, is influenced by two major factors: by a decrease in the income tax and large-scale changes in the area of customs dues on the one hand; on the other hand, there will have to be measures to compensate for an income shortfall on account of tax and dues changes and to prevent a treasury deficit next year.

He said more specifically concerning the income side:

"Roughly estimated, the state tax burden of individuals due to direct taxes will amount to 3.8 percent of monetary income in 1986. For the present year the figure will be around 4.4 percent. For the years 1981-1983 the proportion was 5.5 percent.

"The new customs legislation that is supposed to take effect around or at the beginning of next year may result in a reduction of treasury customs income by 250 million kronur. To compensate for this loss of income, likewise for the reduction in the income tax, and also to achieve a balance in state finances, it has been proposed that a plan be issued of changes in the organization of the customs duties presently in force.

"The increase in treasury income due to changed duties will be around 1 billion kronur, it is estimated. The influence of this increased tax collection upon prices is estimated at around 1-percent increase in the cost of living index. The housing index will fall by 0.5 percent, due to decreased tolls on construction materials."

The minister of finance said that the estimated total expenditures of the treasury in 1986 will be 33.4 billion kronur according to the proposed budget. Expenditures for state consumption, that is, the wages and operating costs of institutions, will increase 11.3 percent over the present budget, interest costs by 28.9 percent and various operating costs and consumption supports for companies and individuals by 9.1 percent.

Appropriations for highways are estimated at around 2 billion kronur, for housing at 1.6 billion kronur. In addition, 1.2 billion kronur of loan capital from social security funds are allotted for housing. Financing for the credit fund will amount to 1.1 billion kronur. This fund has become second strongest credit fund in the budget after the construction fund. Payments for goods and energy are expected to be 1 billion kronur.

The minister stated the following:

"When we look at appropriations for so-called welfare matters during the last 40 years, it emerges that appropriations for education and social security matters are unchanged so far as a proportion of national production. On the other hand, there has been an increase in state appropriations for health and social matters, an increase that amounts to 1 percent of national production for each category since 1982. This increase in money at present values amounts to around 2 billion kronur.

"Last of all, I note specially state's financial outlays. Interest payments amount to 1.5 percent of total expenditures in the 1975 budget. In 1980 they amounted to 3.5 percent, 4.6 percent in 1984, 5.4 percent in 1985 and they are estimated to be 6.2 percent in 1986, or 2,006 million kronur according to the older version of the budget. In terms of the present version of the budget, interest payments will amount to 3,244 million kronur and that is around 9.6 percent of expenditures. It is stated in long-term treasury financial projections that the proportion could rise to 12 percent in 1988.

Credit Estimates

"Investment as a proportion of national production has been steadily decreasing during the current decade, from 30 percent of the GNP in 1984 to 21 percent in 1986. However, there has been no decrease in the foreign trade deficit and the decrease in domestic savings has become a matter of concern. Domestic savings remained at or over 25 percent during the last decade and it is estimated that it will be 18 percent in 1986.

"It is estimated," said the minister, "that capital formation in Iceland will decrease by 2.5 percent in 1986. It is calculated that achievement by private employers will fall by 2.7 percent and at the state sector by 4.2 percent. On the other hand, it is anticipated that the amount of housing construction will

remain unchanged, but it must be kept in mind that it has decreased by 10 percent this year."

The minister stated:

"Loans to be taken out by the treasury, it is estimated, will total 4.6 billion kronur. Of this 920 million kronur will go for activities of B-portion enterprises and 3,654 million kronur for the needs of the A-portion of the treasury. The plans include the raising of 1,850 million kronur domestically through the sale of savings bonds and 2,724 through foreign loans.

"Effort is now being made to reduce foreign loans to be taken out for the A-portion of the treasury by 500 million kronur as quickly as possible so that a total of 2,224 will be raised abroad. We are thereby proceeding slowly towards the goal of having new foreign loans equal amortization of foreign loans. I would have liked to have reduced the assumption of foreign loans by the treasury even more, however, this could not be achieved in 1986.

"I would place special emphasis on the fact that foreign and even domestic credit should not be obtained for each and every project. In fact, it is inexcusable to take out foreign loans for public operating expenses. In view of the fact that real interest on foreign loan capital is now in the vicinity of 5-6 percent it goes without saying that those projects for which loans are taken should be productive ones.

"To some degree, the domestic credit market has not been in the balance that it should have been during the last 2 years. Credit demand by individuals and the state has far exceeded the available resources. The results of this have been a general imbalance on the credit market and a dearth of savings for real investment. We have attempted to respond to this problem through more realistic interest conditions with regard to public agencies and increased freedom in competition for credit conditions. Increased and hardened competition for savings that has resulted, has, in turn, created special difficulty for public agencies in terms of domestic credit sources. Conditions seem, however, to have improved gradually with a better balance between domestic and foreign credit, both in terms of the banking system and on the public credit market."

1985 Treasury Capacity

"The operating capacity of the treasury is 2.8 billion kronur worse than it was the same time in 1984. Expenditures are up 47 percent but income, on the other hand, only 27 percent.

"Prospects for the probable capacity of the A-portion of the treasury at year's end 1985 shows that the condition of the treasury may be considerably worse than the 1985 budget made provision for. The 1985 budget proposed that the deficit for this year would be 750 million kronur. However, it is now estimated that it will be 1.9 billion kronur."

The minister stated:

"The primary explanations for the increased deficit compared to the 1985 budget are as follows:

--First of all the influence of the wage agreements of public workers and the increase of pensions and medical support is significant in the increased expenditures, or almost 1.5 billion kronur.

--Secondly, decisions were made on supplementary expenditures involving the amount of 1.4 billion kronur. Most important of them were increased appropriations for housing, export supports, state subventions and the financing bill for the State Fertilizer Factory.

--Thirdly, treasury income during the year increased only by around 1.8 billion kronur or 7 percent in terms of the 1985 budget, while expenditures increased 11 percent in terms of the same budget.

"Increased financial needs due to credit and loan difficulties amounted to a total of 660 million kronur. The major reason for this was that provision was made in the budget for the payment of a total of 160 million in amortization to the Icelandic State Bank. In the revised estimate, on the other hand, it is predicted that agreed-upon amortization will be paid to the bank this year up to a total of 690 million kronur.

"To compensate for the supplementary financing requirements of the A-portion of the treasury this year, a total of 1.5 billion kronur of long-term loans is sought in the 1986 credit budget. The plans include raising whatever is lacking in a short-term loan with the Icelandic State Bank to be paid in 1986. The amount is 860 million kronur as emerges from the proposed budget currently under discussion."

The Proposal on Increased Tax Collections Will Not Be Taken Up

Icelandic Minister of Finance Thorsteinn Pálsson said in conclusion:

"I have reported in general terms on the proposal for a 1986 budget, along with those changes that have been proposed. The major points are as follows:

--First of all, the planned budget embodies a balance between income and expenditures. This is a real success, achieved through restraint in expenditure decisions and increased income accumulation.

--Secondly, changes have been made in the proposal involving the following:

1. A still greater decrease in expenditures;
2. The previously agreed upon proposal for increased tax collections will not be taken up in part and the promise on a continued decrease of the income tax on public wage incomes will be met;
3. Foreign loans taken out will be less than planned;
4. The welfare system will be unaffected.

--Thirdly, it is now very important to reappraise automatic treasury expenditures to prevent much increased tax collections next year, which otherwise would be unavoidable.

--Fourthly, it should be remembered that there are certain storm warnings evident regarding the management of the Icelandic economy. An effort is being made to promote a better balance through the proposed budget and the planned changes in the government.

--Various conflicting needs and dissimilar interests were involved in the drawing up of the proposed budget. Most spokesmen for these needs and interests hope for various kinds of public actions which would increase expenditures, but few support increased tax collections. Conditions within the national household demand absolutely that the budget be in any given time part of the process of achieving total goals in economic, wage and employment matters that are being striven towards.

"With regard to the dissimilar interests that must be kept in mind in this connection, this proposed budget is certainly not faultless. On the other hand, however, it should be said that there is involved in this budget a government policy which aims at restraint in expenditures without destroying purchasing power and prosperity. That must be considered a great success."

Paper Comments on Report

Reykjavik MORGUNBLADID in Icelandic 14 Nov 85 p 30

[Editorial: "Budget, State Household, Inflation"]

[Text] The draft of the 1986 budget, which received its first discussion in the Althing the day before yesterday, and those changes in it that the coalition parties have announced, are unquestionably in support of constraint and improvement in the state household.

Icelandic Minister of Finance Thorsteinn Palsson discussed the major areas of the government's economic policy in his speech. First of all, the proposed budget embodies in itself a balance of Treasury income and expenditures during the coming year. Secondly, proposed state expenditures, according to the draft budget, have been cut by 574 million kronur and proposed foreign loan making by 800 million kronur. The total reduction in expenditures and in foreign loan making is thus 1.2 billion kronur. Thirdly, the previously proposed additional tax collection will not be carried out. The tax burden of individuals in direct taxation is set at 3.8 percent in 1986, in terms of monetary income. It was 5.5 percent in 1981-1983.

The budget speech of the new minister of finance was awaited with great interest. It established policy as expenditure restraint in the state household without harming purchasing power or prosperity and likewise more moderate taxation. The great problem that the state household is now struggling with and with which the state of the Icelandic economy and of the national household as a whole is connected with, however, will not be overcome

in a few weeks. And it has long become clear that there will be no miracle in the state household.

Economics professor Thorvaldur Gylfason discussed "The proposed budget and inflation" in MORGUNBLADID yesterday. He referred to the premise of the proposed budget that new foreign loans be no greater than amortization of old foreign loans and notes that, according to the proposed budget as originally presented, foreign debt of public parties will increase by 2.4 billion kronur, i.e. by 2 percent of national production, looking at the finances of public agencies as a whole. Thorvaldur Gylfason also concludes that the premise of the proposed budget on a balance in public operations will not be achieved since there will be a 10-billion-kronur deficit in public operations, although, to be sure, only 1.1 billion of that amount will have an influence upon the Icelandic economy and promote inflation. Thorvaldur Gylfason says in conclusion that the government's economic policy will result in no control being achieved over growing inflation in the next year.

As was indicated in Thorvaldur Gylfason's article, he based his discussion on the proposed budget as it was presented at the beginning of the Althing. It emerged from Thorsteinn Palsson's speech, in fact, that those changes in the budget proposal that have been presented mean a reduction in expenditures and an increase in foreign loans, to the extent of 1.2 billion kronur. Of this amount, some 800 million kronur represent a reduction in foreign debts, but 1.6 billion kronur in increased foreign debt assumption remain. How will this plan accord with the policy of banning an increase in foreign debt? It will have to become clear later, whether the government has the courage and willingness to carry forward such a cut in public activities. To follow is the discussion of the budget proposal by the Althing, a discussion that has led to increases more often than not. Then there is fiscal year 1986. Expenditures by public agencies have frequently and far too often gone far beyond budgetary constraints. May the government not waver in its policy of restraint.

It is not worth the trouble to compare the objective and well founded criticism of the budget proposal by economics professor Thorvaldur Gylfason with the transparent nonsense of the government opponents in the budgetary debate. The opponents of the government have talked off the tops of their heads, without meaningful criticism and without worthwhile indications of better ways or choices. Svavar Gestsson, for example, had not one word to say about the matter on the agenda. His thoughts and deeds were completely taken up by the scuffling of the party convention, from which he had just arrived, chilled to his heart. Such was the insane zeal of the People's Alliance chairman to discuss the inner affairs of the People's Alliance during the televised speech on the proposed budget that Geir Gunnarsson, the leading spokesman of the party in matters of state finance, was able to say only a very few words in the discussion.

There is no doubt that the policy goals embraced by the budgetary decisions of Thorsteinn Palsson are pointing to the right direction, if measures of restraint are strictly adhered to. It is also proper for economist Thorvaldur Gylfason to look at the state household as a whole, at the treasury, state institutions and the fund system, at policy and decisions in matters of state finance. "Thus it is meaningless," as he said, "to limit discussion on

restraint in public financing to the A-portion of the treasury. On the contrary, success is promised through looking for ways to economize in segments of the public sector, especially the C-portion," as he called it.

The advocates of the government opponents in the budgetary debate, on the other hand, make clear to the people the truth of the fact, as we all know indeed, that herein lies the worst cost to the Icelandic nation. There will be no roses picked where no roses grow.

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CSO: 3626/10

ECONOMIC

ICELAND

BRIEFS

INFLATION RISE AT 32 PERCENT--Inflation is now 32 percent in terms of an increase in the consumer price index during the last 3 months, according to a new release of the Icelandic Economic Institute. According to the calculations of the Tax Committee, the index figure for prices at the beginning of November was 155.32 points, 2.21 percent higher than at the beginning of October. The index was 100 in February of 1984. Some 0.4 percent of the increase was due to an increase in the prices of books and various school expenses, 0.2 percent due to a clothing cost increase, 0.2 percent due to an increase in the cost of food and 1.2 percent due to increased costs of various goods and services. A 20-percent decrease in the cost of mutton and a 28-percent decrease in the cost of eggs has resulted in a 0.6-0.7-percent smaller increase in index figures than would otherwise have been the case, it is stated in the press release. Later it is stated: "During the past 12 months the cost of living index has increased by 38.9 percent. The increase in the index figures from the beginning of October to the beginning of November amounts to a 30-percent annual increase. During the past three months the index has increased by 7.2 percent and that is equivalent to a 32-percent increase for the entire year." [Text] [Reykjavik MORGUNBLADID in Icelandic 15 Nov 85 p 16] 9857

CSO:3626/10

ECONOMIC

PORTUGAL

PRO-GOVERNMENT SECTOR PROTESTS PRICE INCREASES

Details on Increases

Lisbon A TARDE in Portuguese 25 Nov 85 p 1

[Text] The popular "carcaca" [an alcoholic drink], which lately has seen its weight diminish almost in the same proportion as prices increase, now costs 450 escudos (45 grams). 250 grams and 500 grams of bread went up, respectively, to 25 and 46 escudos, the latter being the consumer good that has suffered the greatest increase, 15.38 percent. A liter of pasteurized milk went up to 53.50 (up 13.8 percent), while ultrapasteurized milk went up to 66 escudos. One liter of high-test gasoline now costs 115 (5.5 percent), regular costs 111 (5.7 percent) and fuel oil costs 70 (6 percent). A cylinder of natural gas (13 kg) remains at 1027 (5.33 percent). Electricity, lower scale, saw its cost go up to 9.50 per kilowatt (14 percent). A cubic meter of water, also on the lower scale, went up to 37.50 (13.5 percent). Transportation registered increases of 14 percent. Thus, for example, an 1.123 pass (third "coroa" [zone?] from Lisbon) which used to cost 2900 will now cost up to 3300 escudos. And this does not even take into account a whole list of increases which either have already been put into effect or will inevitably be unleashed by those now verified...

Government Accused of Obfuscation

Lisbon A TARDE in Portuguese 27 Nov 85 p 1

[Text] It is a question of the Portuguese people realizing that they are being misled. When all is said and done, it is all a question of knowing whom one can trust. It is also a question of not justifying the measures one has taken contrary to one's electoral promises. It is especially a question of trying to mislead reporters when they discover that there are still more increases on the way and the government first denies it and then ends up confirming it.

Everyone knows, for example, what caused the lack of popular credibility currently enjoyed by Mario Soares. In his electoral campaigns, he promised socialist happiness to the people. When he got to Sao Bento, he referred to price increases. In 1983, he promised austerity and belt-tightening in public management. Everybody knows about the spree that followed up until last 31 October, with the constant subsidies for public companies and increase in investments in the public sector on megalomaniac projects. Belt-tightening was only applied in the extraordinary 28 percent tax in December 1983. Do the readers remember? With retroactive effects and all.

Well, Cavaco Silva is following a similar road. In September on television, and in October in the campaign and after his victory, he also promised social democratic happiness to the people. In November, three days after his government program passed the Assembly, he began to raise prices, when, after all, just under a third of the electorate voted for his bill.

Just before Christmas, without any minimally acceptable explanation, without preparing a press release, he lowered by a few notches the purchasing power of a population on the edge of poverty, as he himself proclaimed in the videos of his campaign. Can it be that prices should have already been increased by the previous government? It is good not to forget that the PSD was also a part of that Central Bloc. Can it be to increase the rate of inflation in 1985 and then present a greater bankruptcy in 1986? Not a very ethical measure whether relative to the promises of the campaign or to the uncertainty of his government lasting one year with parliamentary (and social) support so reduced and unstable. It is quite a different story to govern with the support of 60 percent, 50 percent or 30 percent of the electorate. The present parliamentary picture represents the danger of the leftist majority--even moreso now that the PRD has defined, through "its presidential candidate," its strategic alliance with the communists.

We have one more watermelon party: green on the outside and red on the inside... And what is worse, one that accuses others of lack of ethics and, at the first opportunity, forges signatures and does not release the results of the internal investigation...until the last consequences. The Portuguese, in their crushing majority, may be poor and exploited by rulers far removed from day to day reality, but they do not forget the shamelessness of politicians. It is not enough to visit the markets and the popular streets of the cities and towns to ask for carte blanche from the voters...in pre-campaign periods and during the electoral process. The battle against inflation is not won by increasing prices.

In the USA, for example, any presidential measure is previously explained to reporters assigned to the White House. Over here, the cat and mouse game continues... But even so, reporters are not fooled.

It is easier to govern by raising prices. But it does not pay.

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CSO: 3542/44

ENERGY

GREECE

INCREASES IN ENERGY COSTS ANNOUNCED

Athens 1 KATHIMERINI in Greek 12 Dec 85 p 1

[Excerpt] As expected, the increases in electricity prices were announced yesterday. In relation to previous prices, they fluctuate between 16 percent (energy for industrial consumption) and 18 percent on energy for the remaining uses (home, agricultural consumption, etc.). Moreover, the two-month "fixed rate" is being approximately doubled, irregardless of the amount consumed. It is the second time in 1985 that the price of electricity has been increased.

The increases were announced yesterday evening, after a meeting of the DEI [Public Power Corporation] Administrative Council. It was stated during announcement of the new prices that they are being made since the ASKE [Representative Council on Social Control] recognized with its resolution the necessity for a "rational structure for rates, with appropriate formation of a DEI pricing policy which will take into consideration covering administrative deficits."

All these are generalities, of course; they do not explain why deficits were created nor do they persuade that they will be decreased. Actually, in the last four years, the average price of electricity has approximately doubled, the price of oil in dollars has decreased and DEI deficits have noted an unprecedented increase.

The DEI Administrative Council, announcing yesterday the new electricity prices which significantly burden consumers and the cost of producing domestic products, avoided committing itself to any forecast whatsoever about the percentage of the deficit which will be covered with DEI's increased returns. This is the critical point for the national economy, to which the consumer is being called to contribute without having been persuaded about the expediency and productiveness of his sacrifice.

It should be noted, moreover, that the DEI announced yesterday the average percentages of the increases and did not explain if these will be valid irregardless of the amount consumed, which does not allow the social distribution of the burden from increased prices to be computed.

9247
CSO: 3521/65

ENERGY

GREECE

END OF GOVERNMENT CONTROLS ON FUEL SECTOR

Athens I KATHIMERINI in Greek 17 Dec 85 p 7

[Text] The petroleum-products market is being decontrolled an average 10 percent in the first six months of 1986 (from 1 January 1986 to 30 June 1986) and another five percent from 1 July 1986 to 31 December 1986. Totally, the average weighted percentage of decontrolling the petroleum-products market from 1 January 1986 to 31 December 1986 will reach 15 percent. This was announced yesterday by Minister of Industry and Energy Veryvakis, explaining the decision of the Council of Ministers issued in implementation of Law 1571/85 which regulates issues involved in the oil policy and the petroleum-products trade.

With the Council of Ministers' decision, in whose frameworks the petroleum-products market in our country will be decontrolled, the total 15 percent is broken down by type, for each six-month period, as follows:

Product	First Six Months 1986	Second Six Months 1986
	Percentage	
Propane	5	10
Liquid-Gas Mixture	5	10
Gasoline, high compression, 96 octane min (Premium) 0.15 gr. PB/lt max	15	25
Gasoline, high compression, 96 octane min (Premium) 0.40 gr. PB/lt max	15	20
Gasoline, ordinary, 90 octane min (Regular) 0.40 gr. PB/lt max	5	10
Kerosene	5	10
Internal Combustion Oil (Diesel) with sulfur max 0.3 percent by weight	15	20
Internal Combustion Oil (Diesel) with sulfur max 0.5 percent by weight	15	20

Internal Combustion Oil No. 1 with sulfur max 0.7 percent by weight	5	10
Internal Combustion Oil No. 1 with sulfur max 0.7 percent by weight [as published]	5	10
Internal Combustion Oil No. 3 with sulfur max 0.7 percent by weight	5	20
Internal Combustion Oil No. 3 with sulfur max 4 percent by weight	5	10

With the arrangement provided by the Council of Ministers' decision, the state's exclusive right to control the domestic petroleum-products market is restricted, from 1 January 1986 to 30 June 1986, to 90 percent and, from 1 July 1986 to 31 December 1986, to an average 85 percent.

These percentages ensure the needs for national defense and those which include the petroleum-products needs of organizations and enterprises (public) of vital importance for smooth operation of the national economy (DEI [Public Power Corporation], etc.).

It is noted that, beginning on 1 January 1986, our country should be decontrolling the domestic petroleum-products market completely. Greece has been referred to the European Court for violating the related EEC instruction. The court's settlement has been predetermined with an EEC recommendation. By the time the decision is issued, we will be in 1988.

Minister of Industry and Energy Veryvakis yesterday announced 10 more presidential decrees and ministerial decisions regulating issues connected to Law 1571/85 "on an oil policy."

Prices

As concerns how the base price of finished petroleum products will be formed, a presidential decree provides that this is designated by: a. international prices; b. the average cost to produce petroleum products at the state refineries; c. the market trend; and d. the weighted value of the principal products in production at the state refineries.

The above conditions mean there will be increases in petroleum-products prices whenever these change significantly.

9247

CSO: 3521/65

ENERGY

GREECE

EEC FINANCES ALTERNATIVE ENERGY SOURCES

Athens I KATHIMERINI in Greek 24 Dec 85 p 7

[Text] The European Community is financing with 4,700,000 European Currency Units (500 million drachmas) 13 Greek pilot programs for the exploitation of geothermy, sun and wind energy, biomass, energy saving and the building of small hydroelectric works.

More particularly, in the sector of geothermy and biomass, the pilot programs that were approved are:

In the sector of geothermy, the DEP [Public Petroleum Corporation] program No GE-210 was approved for financing.

This program concerns development of the low-temperature geothermal field in the town of Serres. It includes drilling, short and long term experimental production, with the initial target of heating part of the town of Serres, as well as the study of alternative uses for the geothermal energy produced for application to agriculture and industry.

The economy of energy foreseen from this implementation is estimated at 4,000 TIP [tons of equivalent petroleum] annually.

The cost of this work will be around 300 million drachmas and will be chiefly covered by the program of public investments.

The Community's participation is 110 million drachmas (1 MECU [million European Currency Units]) approximately, and the agency in charge of the work is the Public Petroleum Corporation (DEP).

In the sector of biomass, the European Community approved the financing of program No BM-193 of the municipality of Kalamata.

This program concerns a fertilizer production unit that will treat the town's garbage and the mud from biological purification.

The work will be carried out in five stages and its estimated cost is around 150 million drachmas.

The Community will contribute about 45 million drachmas. A bank loan will cover the balance.

22,000 tons of solid wastes and 1,800 tons of biological purification mud will be treated annually, with the prospect of reaching annually 44,000 tons and 3,600 tons respectively and eventually 24,000 tons a year in the latter case.

The energy expected to be saved from the realization of the above works will be 1042 TIP per year, and the agency that will undertake the realization of this work is the ETBA [Hellenic Industrial Development Bank] together with the municipality of Kalamata.

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